2003/2004: Report 2

OFFICE OF THE

Auditor General of British Columbia

Follow-up of Performance Reports

August 2003

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The Honourable Claude Richmond
Speaker of the Legislative Assembly
Province of British Columbia
Parliament Buildings
Victoria, British Columbia
V8V 1X4

Dear Sir:

I have the honour to transmit herewith to the Legislative Assembly of British Columbia my 2003/04 Report 2: Follow-up of Performance Reports.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

Victoria, British Columbia
August 2003

copy: Mr. E. George MacMinn, Q.C.
Clerk of the Legislative Assembly

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Follow-up of Performance Reports

Auditor General's Comments

I am pleased to present in this report the results of my Office's follow-up work on six performance reports issued between 1999 and 2002.

We perform follow-up reviews to provide the Legislative Assembly and the public with an update on the progress made by management in implementing our recommendations and those made by the Select Standing Committee on Public Accounts. Our recommendations are designed to improve public sector performance, and are an important value-added component of our work.

We follow a process in our review that was agreed to with the Select Standing Committee on Public Accounts. As we complete a follow-up review, we provide a report to the Committee. Periodically, all of the reports provided to the Committee are assembled into a report for the Legislative Assembly.

Our approach to completing our follow-up reviews is to ask management of the organizations with responsibility for the matters examined to provide us with written representations describing action taken with respect to the recommendations. We then review these representations to determine if the information reported, including an assessment of the progress made in implementing the recommendations, was presented fairly in all significant respects (Appendix B). For four of the reports we reviewed, we concluded that it was.

We do not offer an opinion for the fifth report, *Fostering a Safe Learning Environment: How the British Columbia Public School System is Doing*. There have been substantial changes in the way resources are being managed in our schools with districts being given more autonomy to make resource allocation decisions. We have decided, therefore, not to perform our follow-up procedures in the normal way. Instead, we have broadened the scope of an audit now underway that is examining processes for enhancing education improvement to include monitoring the capacity of the public school system to foster safe learning. My first report on how the school system is building capacity for continuous improvement will be published in 2004.

We also do not offer an opinion on the sixth report, *Building a Strong Work Environment in British Columbia's Public Service: A Key to Delivering Quality Service*. The audit work supporting this report was conducted in early 2001. The work environment has likely changed since then. We have decided, therefore, to reperform the results in 2004 instead of performing our follow-up procedures in the normal way.

In this report, we provide a summary of each of our original reports, our overall conclusions, a summary of the overall status of recommendations and each organization's response to our request for an accounting of progress.

I am pleased that management has accepted our recommendations and has taken action to implement 98% of them as illustrated in the Summary of Status Recommendations. I encourage the government organizations concerned to complete the implementation of all of these recommendations as I believe it is important that they be implemented on a timely basis.

I wish to express my appreciation to the staff and senior management of the organizations we reviewed for their cooperation in preparing the follow-up reports, providing the appropriate documentation and assisting my staff throughout the review process.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

Victoria, British Columbia
August 26, 2003

Summary of Status of Recommendations

The following table summarizes the status of recommendations included in the original reports and the recommendations made by the Select Standing Committee on Public Accounts.

Report	Total Number of Recommendations	Fully Implemented	Substantially Implemented	Partially Implemented	Alternative Action	No Action	Further Follow-up Required
Management of the Information Technology Portfolio in the Ministry of Attorney General	7	3	2	2	0	0	0
Information Use by the Ministry of Health in Resource Allocation Decisions for the Regional Health Care System	16	0	11	4	1	0	5
Management Consulting							
▪ Focused on Ministry of Finance	3	1	1	1	0	0	2
Focused on ministries (9 applies to all)							
▪ Advanced Education	9	2	5	2	0	0	2
▪ Children and Family Development	9	2	6	1	0	0	1
▪ Competition, Science and Enterprise	9	7	2	0	0	0	0
▪ Forests	9	9	0	0	0	0	0
▪ Health	9	6	2	0	1	0	0
Managing the Cost of Drug Therapies and Fostering Appropriate Drug Use	OAG 10	6	1	3	0	0	0
	PAC 1	1					0
Total OAG	81	36	30	13	2	0	10
Total PAC	1	1	–	–	–	–	–
Grand Total	**82**	**37**	**30**	**13**	**2**	**0**	**10**
Percentage	**100%**	**45%**	**37%**	**16%**	**2%**		**12%**

Office of the Auditor General of British Columbia

Information provided to the
Select Standing Committee on Public Accounts
regarding the follow-up of recommendations in

2001/2002 Report 5:

Management of the Information Technology Portfolio in the Ministry of Attorney General

May 2003

OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

We have carried out a follow-up review of the implementation of the recommendations in our *2001/2002 Report 5: Management of the Information Technology Portfolio in the Ministry of Attorney General,* and enclose the following:

- My opinion on the status report provided by the Ministry of Attorney General & Minister Responsible for Treaty Negotiations and the Ministry of Public Safety & Solicitor General.
- A summary of the original report showing the audit purpose, scope and overall conclusion.
- A summary of the status of recommendations.
- A list of recommendations that have not yet been fully implemented.
- The Ministries' representations on the status of recommendations.
- Timetable of reports issued and Public Accounts Committee meetings on our *2001/2002 Report 5: Management of the Information Technology Portfolio in the Ministry of Attorney General.*

As substantial progress has been made on addressing our recommendations, we do not plan to carry out a further follow-up after the Committee has addressed this report.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

May 30, 2003

OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

This is a report on our follow-up of the recommendations from our *2001/2002 Report 5: Management of the Information Technology Portfolio in the Ministry of Attorney General.*

Information on the status of the recommendations was provided to us by the Ministry of Attorney General & Minister Responsible for Treaty Negotiations and the Ministry of Public Safety & Solicitor General.

We have reviewed the representations provided by the Ministry of Attorney General & Minister Responsible for Treaty Negotiations and the Ministry of Public Safety & Solicitor General, regarding progress in implementing the recommendations, provided in April 2003. The review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted primarily of enquiry, document review and discussion.

Based on our review, nothing has come to our attention to cause us to believe that the ministries' status report on implementing our recommendations does not present fairly, in all significant aspects, the progress made in implementing the recommendations contained in our February 2002 report.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

May 30, 2003

Summary of Original Report: 2001/2002 Report 5: Management of the Information Technology Portfolio in the Ministry of Attorney General

Background

Information technology systems are essential for modern government, but hard to manage and deliver

Information technology is transforming all aspects of society and the economy, just as the steam engine, railroads, and electricity did in the past. Information technology's rapid pace of innovation is offering unprecedented opportunities for both government and commerce to improve performance, reduce costs, and enhance both the range and responsiveness of service delivery.

In order for information technology to help government improve, many challenges must be overcome. A disproportionate percentage of information technology projects, both public and private, fail to meet time or budget targets, fail to reach completion or, when completed, do not perform as they were meant to.

In the early stages of information technology, systems were built to automate manual processes; they did the same tasks as had been done manually (e.g., cheque processing), but did them more efficiently. Benefits were relatively simple to see and to measure. Developing such systems may have been technically difficult, but once their development was complete, they began delivering benefits.

Now, most information technology projects are designed to restructure work processes-to do things differently-or even to redefine the nature of the business-to do different things. Their expected benefits only materialize after existing business processes are re-engineered. Making such changes needs different skills and techniques from those used on the information technology project itself, and requires the involvement of many staff with a variety of responsibilities within the organization.

Information technology projects in government face additional obstacles. In the private sector, investment decisions about technology usually have a single agreed-on, measurable goal, such as return on investment. This is not the case in government organizations, where there are many stakeholders with differing and, sometimes, shifting goals and priorities.

Governments are also at a disadvantage in competing with the private sector to attract and keep the right mix and level of key staff to work on information technology projects. Mandatory standards and administrative policies further increase the complexities that ministries must consider in managing information technology.

Portfolio management offers an integrated approach to dealing with these problems

One response to these challenges which is gaining increasing acceptance is "portfolio management," an integrated approach to information systems. The "portfolio" includes everything related to deriving business benefit from information technology investments. The costs, benefits and risks of all information systems-proposed, under development, and operational-are scrutinized

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Continued . . .

regularly, with the goal being to understand and manage the risks involved while maximizing the strategic benefits of systems investments as a whole.

The portfolio concept is grounded in the management principle that any significant investment requires careful stewardship to maximize its value and protect its integrity. This principle is well understood for traditional investment categories, such as real estate and equity investments, which are commonly managed as portfolios, allowing decision-makers to view their investments as a whole and to consider individual investments in context.

When all information technology systems and projects are included in a portfolio, the information technology "business" of the organization is understandable as a complete package. Systems and projects can be evaluated consistently, and management can more easily look for synergy among its information technology investments. Risks can be systematically considered: the risk/reward relationships of particular investments can be examined, and quantified to some degree, as can the overall risk profile of the portfolio.

Seeing information technology as an investment opportunity, not as an expense, focuses attention on tangible benefits that align with the organization's strategic goals. It enables an organization to select technology assets and projects that maximize benefits, and to favour the "must do" over the "nice to do."

Good portfolio management practice requires regular scrutiny of the portfolio. Once a year (often, as part of the annual budget cycle) is not enough. As circumstances change, projects previously deferred can be reconsidered, or development projects found to be obsolete or too costly can be cancelled. Also, the portfolio approach borrows from financial management practice the compelling idea that even the best investments have a finite life: a good portfolio manager never acquires a new asset without thinking about the appropriate time to replace that asset with one that offers better value. This idea is even more important for information technology assets, which need periodic investments (e.g., software version upgrades) just to maintain their original value.

Portfolio management is being widely used today for information technology systems. It is at the heart of the Government of Canada's initiative to improve its information systems management. It is also being encouraged in the U.S. government as a best-practices approach. The State of Washington, which is seen as a leader in information technology management among U.S. states, has applied the portfolio concept, as have a number of well-known information technology consulting firms.

Audit Purpose and Scope

The purpose of this audit was to assess how well the Ministry of Attorney General managed its portfolio of information systems. This included examining how well the ministry evaluated the cost-effectiveness of the systems in its portfolio, and ensured that those systems align with and meet its needs. In the process of selecting the ministry, we first looked for ministries that have a significant number of major information systems-systems that are an essential part of delivering services of importance to the public and Legislative Assembly. We then selected ministries that appear to have in place the key organizational tools needed for managing an information technology portfolio.

(Our purpose was to find a useful example so that other ministries and agencies could make use of our audit findings and apply them to their own circumstances.)

The ministry selected for detailed examination was the Ministry of Attorney General, which is responsible for the administration of justice in British Columbia (including operation of courts, prosecution of criminal offences, and provision of correctional services). It uses about 140 different information technology systems to support its work. Some are small and specialized and others (such as the CORNET system in the ministry's Corrections Branch) are large, complex and pivotal to operations. These systems are, in many cases, of critical importance to the ministry's effectiveness, because of the particular significance of the information conveyed and contained in the justice system. The information in a land title, for instance, confers ownership and economic rights; the information in a court decision sets out whether an accused is jailed or goes free.

Our work focused on management practices in the ministry-in particular, those centred around the ministry's major information technology projects-during the 2000/2001 fiscal year. Thus, we examined the ministry before its functions were reorganized on June 5, 2001. Also, we looked mostly at systems that appear to be critical to the ministry's core business functions. We did not look at government-wide systems, as they are generally the result of management decisions made outside the ministry.

Our examination was performed in accordance with standards for assurance engagements recommended by the Canadian Institute of Chartered Accountants, and accordingly included such tests and procedures as we considered necessary in the circumstances.

We examined the ministry's capacity for governance, for decision-making, and for project delivery

Successful portfolio management in any organization requires three key elements:

- clear governance;
- informed, well thought out proposals for changes to the portfolio; and
- well-managed delivery of changes to the portfolio.

Clear governance: To successfully manage its portfolio, an organization must have a senior decision-making body that is able to oversee all significant information technology investments in the organization. This body (usually called a steering committee) is responsible for selecting the best information technology solutions to meet the organization's needs, and for overseeing successful delivery of these solutions.

In managing the portfolio, the steering committee must have help from information technology staff, project management staff, and project steering groups. It oversees delivery of individual projects, but does not take direct command of them. The latter is the job of the project (or program) sponsor, a senior executive who is responsible for seeing that the project and its associated benefits are successfully delivered.

Proposals for change: Making the right choices of portfolio additions that carry out new functions, or replace obsolete systems, lies at the heart of successful portfolio management. Invariably, there are more potential additions than there are resources with which to acquire them. Steering committees must decide not just whether proposals are worthwhile, but which are the most worthwhile, both on their own merits and when combined with the other parts of the portfolio.

. . . continued

Continued . . .

For each proposal considered, portfolio managers must ask "how?" and "how much?" The "how" question is fundamental: how will this proposed system provide the benefit it is supposed to? Rare today is the information system that simply automates a manual process and can be plugged in to an organization without any other changes. Most systems require changes in human behaviour, skills or attitudes. Determining how these changes will be brought about is an essential part of any project proposal.

Answering the "how much" question requires quantifying (or at least describing in a consistent way) the benefits the system will provide and the costs-in dollars, in staff time, in disruption of other work-to provide them.

It is important to ensure that cost estimates recognize all the expenditures needed to deliver the benefit. This includes costs that may not be part of the project itself, but are necessary if it is to be successful (e.g., expenditures on user training), and maintenance costs throughout the life cycle of the system (e.g., for operating system upgrades). It is also important to consider non-financial costs. For example, will a worthwhile project monopolize an organization's scarce supply of project managers? Will it exhaust staff's ability and willingness to change the way they do business?

Delivery of changes: Developing a new or replacement information technology system is an out-of-the-ordinary event, one that requires skills and processes different from those used in day-to-day program delivery. It is, in fact, a project—an organized activity with a definite beginning and end, undertaken to create a unique product or service. There is a well-developed methodology, called project management, for carrying out such endeavours.

Two important aspects of project management are determining a project's scope (i.e., what it includes and what it will produce) and defining and managing its cost. A third aspect, risk management, involves managing the uncertainty around future events and outcomes. (Experience has shown that unmanaged or unmitigated risks are one of the primary causes of project failure, especially in information technology projects.)

Risk can be thought of as a special kind of lens through which a portfolio is viewed, a lens that focuses attention on obstacles to success. The benefit of such focus is that, as a rule, what gets attention gets managed. It is important that risks not only be identified and analyzed before the decision is made to proceed with a project, but that they also be detected and managed during project delivery.

Overall Conclusion

We concluded that the ministry has an appropriate organizational structure for exercising senior management control over the information technology portfolio. This is an important foundation upon which to build an effective portfolio management system. However, to better manage its portfolio of information systems the ministry needs to improve its methods for assessing the value of proposed changes to its portfolio, align its information technology with its needs, and identify the significant risks of proposals and manage those risks during the life of the projects.

Key Findings

Governance: the ministry has set up an appropriate senior decision-making body

In our opinion, the ministry's Administration and Technology Committee-made up of senior executives and reporting to the ministry's executive committee- is an appropriate mechanism for overseeing information technology in the ministry. It also has an appropriate range of responsibilities, including developing and monitoring the ministry's technology plan, and reviewing and monitoring all significant projects related to technology and administrative change.

Decision-making: the ministry needs to improve the way it assesses the value of proposed changes to its portfolio

Three things are needed to assess the value of proposed information systems: good information on costs, good information on benefits, and effective, consistently-applied techniques for evaluating this information.

We found that the ministry has made several recent improvements in capturing dollar cost information. However, these had not yet been extended to capturing non-financial costs, nor to describing and, where possible, quantifying benefits. We also found that effective techniques of evaluation were inconsistently used. In particular, we noted that for many pre-existing major projects, analyses of the expected value of the projects were not clear or persuasive.

We recommend a basic but essential cultural change: recognizing that objective, information-based project evaluation is an essential precondition for success, and that investment decisions must focus on strategic payoffs for the ministry as a whole. (We also recommend improvements in technique, such as developing standard checklists of costs and benefits to be considered, and using evaluation aids such as the Balanced Scorecard.)

Project delivery: the ministry needs to improve its management of the risks related to delivering new systems

We found that, in general, insufficient attention is paid to risk at the inception of projects, and that monitoring and management of risk is ad hoc while projects are underway.

Finding appropriate techniques of risk management is not a problem: the ministry used them well on the Year 2000 project, and some ministry contractors are using them now. Again, we recommend that the prime focus for change be within the management culture. Specifically, the Administration and Technology Committee should recognize that risk management is one of its crucial roles, and should delegate administrative tasks whenever possible so it can focus its attention on risk questions.

Continued . . .

The portfolio management maturity model provides a good guide for enhancing management of information technology

Getting better at portfolio management requires getting better at a whole set of techniques and attitudes at roughly the same time. For example, world-class portfolio evaluation tools are little use if the projects chosen cannot be delivered consistently on time and on budget. This idea—that improvement comes about through advances in the overall capability of an organization over time—has been formalized in the concept of portfolio management *maturity.*

The maturity metaphor originated with studies carried out for the U.S. Department of Defense on how to improve software development, to "help software organizations improve the maturity of their software processes...from ad hoc, chaotic processes to mature, disciplined...processes." The concept has since been extended to other areas of information technology, as well as to financial management and project management. Last year the U.S. General Accounting Office produced a maturity model for information technology investment management. We found it to be a good match for the portfolio concepts we outline in this report. We believe that the ministry, and other parts of government, would benefit from using the maturity model, as a guide to enhancing their management of information technology.

Summary of Status of Recommendations

Management of the Information Technology Portfolio in the Ministry of Attorney General

Original Issue Date: February 2002

Follow-up Date: June 2003

Status at March 31, 2003	OAG	PAC	Further Follow-up Required
Total Recommendations	**7**	**0**	**0**
Fully Implemented	3	0	0
Substantially Implemented	2	0	0
Partially Implemented	2	0	0
Alternative Action	0	0	0
No Action	0	0	0

Recommendations that have not yet been fully implemented

Substantially implemented:

The Administration and Technology Committee should ensure that the projects it approves clearly demonstrate net benefits that contribute directly to the achievement of the ministry's strategic goals.

The ministry should carry out post-implementation reviews of all its significant information technology projects upon completion or termination of a project, and use the findings to improve its processes for managing its information technology portfolio.

Partially implemented:

The ministry should maintain complete and organized information on the performance, value and prospects of each information technology system in its portfolio.

The ministry should examine its information management using a portfolio maturity model such as that developed by the U.S. General Accounting Office.

Summary of Status of Implementation by Recommendation 2001/2002 Report 5: Management of the Information Technology Portfolio in the Ministry of Attorney General As at March 31, 2003

Office of the Auditor General of British Columbia Recommendations	Implementation Status				
	Fully	Substantially	Partially	Alternative Action	No Action
1. The ministry should maintain complete and organized information on the performance, value and prospects of each information technology system in its portfolio.			✓		
2. The ministry should adopt standard industry practices for determining benefits and costs and weighing the merits of competing projects, and should use those methods consistently.	✓				
3. The Administration and Technology Committee should ensure that the projects it approves clearly demonstrate net benefits that contribute directly to the achievement of the ministry's strategic goals.		✓			
4. The ministry should carry out post-implementation reviews of all its significant information technology projects upon completion or termination of a project, and use the findings to improve its processes for managing its information technology portfolio.		✓			
5. The ministry should develop formal guidance on risk management and reporting.	✓				
6. The Administration and Technology Committee should make risk management one of its critical responsibilities, and delegate administrative duties whenever possible so that it has more time for risk management.	✓				
7. The ministry should examine its information management using a portfolio maturity model such as that developed by the U.S. General Accounting Office.			✓		

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BRITISH COLUMBIA

APR 16 2003

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Errol Price
Senior Principal
Office of the Auditor General of British Columbia
8 Bastion Square
Victoria BC V8V 1X4

Dear Mr. Price:

Re: Follow-up Review of the Auditor General's Report on Management of the Information Technology Portfolio in the Ministry of Attorney General

In your letter of March 12, 2003, you requested a progress report on the Ministry of Attorney General's implementation of the recommendations outlined in your audit of our information technology portfolio. I am pleased to report that both the Ministry of Attorney General and the Ministry of Public Safety and Solicitor General have made good progress in adopting a more mature approach to portfolio management. The documentation I am submitting in this binder supports this claim and represents samples of the ministries' methodologies and portfolio management reporting.

Over the past two years, the Ministry of Attorney General's Project Support Office (PSO) has been developing a project management framework based on provincial government and industry best practices. The PSO has acquired a suite of project management guides, forms, and templates to be used for all projects within the ministries. In addition, it has implemented a number of support tools to assist project managers and senior management to monitor project progress. These tools are a part of an extensive web site developed to support our portfolio of projects. The Office of the Auditor General has recently been sent a copy of the PSO web site and the ministry standards for review

I trust this is satisfactory. If you have any questions regarding this material, please contact Jim Crone at 387-5929.

Yours truly,

Robert G.W. Lapper
Acting Deputy Attorney General

Enclosures

pc: Alison MacPhail
Philip Steenkamp
Jim Crone
Administration and Technology Committee

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Progress on Implementing the Recommendations on 2001/2002 Report 5: Management of the Information Technology Portfolio in the Ministry of Attorney General dated November 26, 2001

Introductory Statement

Over the past year, the Ministry of Attorney General and the Ministry of Public Safety and Solicitor General have made substantial progress towards improving the management of IT projects. We are pleased to say that after implementing the recommendations, many applications have been implemented with positive results.

The ministries, under the direction of the Administration and Technology Committee (ATC), have adopted a more proactive project oversight model to ensure projects that are undertaken are in response to a strategy identified in the Service Plan and are in compliance with the ministries' two IRMPs.

Staff of the ministries' systems division are key members of the Cross-government Project Management Users Group and the Manager of our Project Support Office chaired the Portfolio Management Sub-committee, a group that defined the business requirements for portfolio management across government. Other initiatives included the introduction of formal project risk assessment and project management methodologies.

Detailed Recommendation Implementation

The recommendations contained in the report provided a useful guide to strengthen information technology management in the ministries. Accordingly, the ministries' implementation status to the audit recommendations are summarized below:

1. **Recommendation:** *"The ministry should maintain complete and organized information on the performance, value and prospects of each information technology system in its portfolio."*

   Implementation Status: Partially Implemented

   The ministries have developed an on-line project tracking system with executive "dashboard" reporting as an interim measure while awaiting a government-wide portfolio management system. The in-house system provides up to date project status reporting on project deliverables, milestones and financial status. It assists senior executives in monitor project time, cost, scope and quality.

It also serves as a repository for project management plans and documents. Refer to Appendix 1 for samples of the Project Tracking and Status System.

The ministries are planning to develop, over the next fiscal year, a similar system to monitor the performance and value of software assets that have passed from the construction phase to operational status.

The ministries still have work to do on defining "performance," "value," and "prospects" and how this can be measured and will look to best practices and the Chief Information Officer (CIO) for direction and assistance in this area.

2. **Recommendation:** *"The ministry should adopt standard industry practices for determining benefits and costs and weighing the merits of competing projects, and should use those methods consistently."*

Implementation Status: Fully Implemented

A Business Case, along with a detailed Cost/Benefit Analysis, is a required document to be reviewed and approved by the ministries' Finance and Administration Division prior to approval of project funding by ATC.

During the past year, the ministries obtained a copy of a Business Case Methodology, prepared by the firm Grant Thomton for the Ministry of Finance. The ministries made minor changes to include wording specific to our ministries and supplemented it with a cost/benefit process and templates obtained from the State of Washington. The ministries now have a complete methodology and guidelines for a thorough financial analysis of proposed projects. The guidelines are available on our Project Support Office web site along with other project management tools and templates.

Refer to Appendix 2 for a copy of the Business Case and the Cost Benefit worksheets.

3. **Recommendation:** *"The Administrative and Technology Committee should ensure that the projects it approves clearly demonstrate net benefits that contribute directly to the achievement of the ministry's strategic goals."*

Implementation Status: Substantially Implemented

The ministries are presently undertaking action to specifically link all active and proposed information technology projects to ministry Service Plans. The results of this exercise will be presented to ATC by the end of April, 2003.

To ensure new projects are aligned, a new project form, the Work Summary Document (WSD), specifically asks program areas to link the requested project to their Service Plan. The Work Summary Document is the document the program area submits to ATC to request project funding. A copy of the WSD can be found in Appendix 3.

The ministries' Information Technology Services Division (ITSD) has a project planning analyst assigned to work with branches and agencies in defining their strategic plans and aligning them with the two Service Plans and the IRMPs. Appendix 3 contains a sample report of our project listing and the alignment with the Service Plans.

4. **Recommendation:** *"The ministry should carry out post-implementation reviews of all its significant information technology projects upon completion or termination of a project, and use the findings to improve its processes for managing its information technology portfolio."*

Implementation Status: Substantially Implemented

The ministries' project Work Summary Document (Appendix 3) includes a line item for funding for a post-implementation review (PIR) and includes this activity in project schedules and contracts. The ministries will shortly be issuing a Request for Qualifications for experts in Post-Implementation Reviews so the ministries can select the services of an independent, qualified individual from a pre-qualified list of specialists to conduct the reviews.

Appendix 4 has a Post Implementation Review Guide used by the ministries.

5. **Recommendation:** *"The ministry should develop formal guidance on risk management and reporting."*

Implementation Status: Fully Implemented

The ministries are currently performing risk assessments on all the IT projects in their respective portfolios. These are conducted using the Risk Assessment Model from the State of California, a product recommended by the Office of the Auditor General. Risk Assessments will be performed throughout the life of a project at the planning, development and implementation phases by the Project Support Office and the results will be made available to senior executive.

Appendix 5 contains a sample of the Risk Assessment reporting produced by the Project Support Office.

In addition to performing formal risk assessments on projects, a Risk Management Plan is a required document for all projects. The Project Support Office has acquired a set of guidelines for the preparation of a Risk Management Plan from the CIO sponsored generic project management web site. Project managers will be expected to regularly report the status of the risk management plan in their regular project status reports.

Appendix 5 contains a sample of the Risk Management Plan template used by the ministries.

Major (high risk) projects will plan and budget for annual and/or mid-phase formal independent progress reviews. Major projects in the ministries' context are defined as those costing in excess of $1 million.

6. **Recommendation:** *"The Administrative and Technology Committee should make risk management one of its critical responsibilities, and delegate administrative duties whenever possible so that it has more time for risk management."*

Implementation Status: Fully Implemented

ATC has modified its role to consider management of project risk. On a regular basis, the PSO will present the Executive dash board tool mentioned earlier and discuss in detail any projects that display a red or yellow in the critical success factor areas. Mitigation strategies will be explored to ensure risks are addressed where possible.

7. **Recommendation:** *"The ministry should examine its information management using a portfolio maturity model such as that developed by the U.S. General Accounting Office."*

Implementation Status: Partially Implemented

The ministries are moving from Stage 1 of the Maturity Model to Stage 2—the focus is on attaining repeatable, successful IT project-level investment control processes and basic selection processes.

The ministries are beginning to employ improved portfolio management practices in order to select, evaluate and monitor IT projects. By adopting industry standards and working with the CIO, we are moving towards a more mature approach to portfolio

management. The ministries are presently establishing the baseline portfolio and actively aligning projects to the service plans. The ministries will develop valuation and performance measures that will enable senior executive to better track project costs and schedule milestones, leading to better project outcomes.

The ministries' Project Support Office will be working with program area management to develop an effective process for evaluating project proposals. Techniques such as Earned Value and Return on Investment will be adopted to assist executive in valuating and comparing proposed projects.

Prepared by: Frank D'Argis
A/Executive Director
Information Technology Services Division
Date: April 7, 2003
Tel: 356-8787

Appendix 1—Project Tracking System dashboard
Appendix 2—Business Case and Cost Benefit Analysis
Appendix 3—Work Summary document
Appendix 4—Post-Implementation Review Template
Appendix 5—Risk Management Guide
RAM guide and results

[Appendices reviewed by the Office of the Auditor General, but not attached]

Appendix

Timetable of Reports Issued and Public Accounts Committee Meetings on Report 5, 2001/2002: Management of the Information Technology Portfolio in the Ministry of Attorney General

February 2002	The Office of the Auditor General issues *Report 5, 2001/2002: Management of the Information Technology Portfolio in the Ministry of Attorney General.*
July 2002	The Select Standing Committee on Public Accounts reviews the report.
February 2003	The Select Standing Committee on Public Accounts tables its report on the results of the review.
May 2003	The Office of the Auditor General issues its follow-up report.

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Office of the Auditor General of British Columbia

Information provided to the Select Standing Committee
on Public Accounts regarding
the follow-up of recommendations in

2001/2002 Report 6:

Ministry of Health in Resource Allocation Decisions for the Regional Health Care System

August 2003

OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

We have carried out a follow-up review of the implementation of the recommendations in our report of *2001/2002: Report 6: Information Use by the Ministry of Health in Resource Allocation Decisions for the Regional Health Care System* and enclose the following:

- My opinion on the status provided by management.
- A summary of the original report showing the audit purpose, scope and overall conclusion.
- A summary of the status of recommendations.
- Management's representations on the status of recommendations.
- Timetable of Reports Issued and Public Accounts Committee Meetings on Information Use by the Ministry of Health in Resource Allocation Decisions for the Regional Health Care System.

Since there are still significant recommendations that have not been implemented, we will carryout a follow-up in about 12 months and report to the committee after completion of our review.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

August 25, 2003

OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

This is our report on our follow-up of our recommendations from our *2001/2002: Report 6: Information Use by the Ministry of Health in Resource Allocation Decisions for the Regional Health Care System.*

Information as to the status of the recommendations was provided to us by the Ministry of Health Services. We reviewed the Ministry's response in July/August 2003 regarding progress in implementing the recommendations. Our review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants and, accordingly, consisted primarily of enquiry, document review and discussion.

Based on this review, nothing has come to our attention to cause us to believe that the ministry's progress report does not present fairly, in all significant respects, the progress made in implementing the recommendations contained in our 2001/2002 Report 6: *Information Use by the Ministry of Health in Resource Allocation Decisions for the Regional Health Care System.*

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

August 25, 2003

Summary of Original Report on Information Use by the Ministry of Health in Resource Allocation Decisions for the Regional Health Care System

Audit Purpose and Scope

The purpose of this audit was to assess whether the Ministry of Health uses appropriate information to allocate resources to the regional health care system.

Specifically the audit examined whether the ministry:

- establishes clear direction, including principles, priorities and accountabilities for the regional health care system
- uses appropriate information to support resource allocations to the regional health care system
- assesses and reports on the overall performance of the regional health care system, provides information to the health authorities need to assess an d report on their own performance.

The audit examined the information used to support both planned and ad hoc resource allocation decisions in fiscal 1999/2000 and 2000/01 fiscal periods. We did not examine the information used to support 2002/03 fiscal year health estimates.

Overall Conclusion

We concluded that the ministry is allocating resources across the health care system without the benefit of essential cost and performance information. Instead the ministry allocates resources based on historical spending levels. As a result, most resource allocation decisions are not based on the kind of information necessary to fully implement and evaluate the strategic directions the ministry has set for the health care system.

Summary of Status of Recommendations

Information Use by the Ministry of Health in Resource Allocation Decisions for the Regional Health Care System

Original Issue Date: March 2002

Year Followed Up: 2003

Summary of Status as at May 2003	Ministry of Health
Total Recommendations	**16**
Fully Implemented	0
Substantially Implemented	11
Partially Implemented	4
Alternative Action	1
No Action	0
Follow-up Required	5

Recommendations Requiring Follow-up

1. Direction and Expectations

   The Ministry should:

   - *Develop and publish an accountability framework for the regional health care system that describes roles, responsibilities and performance expectations.*
   - *Issue health authority funding allocation letters prior to the beginning of the fiscal year.*

2. Use of information

   The Ministry should:

   - *Ensure that the health data warehouse will meet its information needs.*
   - *Develop the information systems capacity to provide the data to measure performance.*

3. Resource Allocation Model

   The Ministry should:

   - *Introduce the budget reallocations based on the model on a more timely basis.*

Ministry of Health
Summary of Status of Implementation by Recommendation
2001/2002 Report 6: Information use by the Ministry of Health in Resource Allocation Decisions for the Regional Health Care System
As at May 30, 2003

Auditor General's Recommendations Current Status	Implementation Status				
	Fully	Substantially	Partially	Alternative Action	No Action
1. Direction and Expectations					
The Ministry should:					
■ Define its information needs.		✓			
■ Set measurable performance expectations that support the ministry's strategic direction, and governance and resource allocation decisions.		✓			
■ Develop and publish an accountability framework for the regional health care system that describes role, responsibilities and performance expectations.			✓		
■ Issue health authority funding allocation letters prior to the beginning of the fiscal year.			✓		
■ Ensure that reporting is connected to the authorities' accountability.		✓			
2. Use of Information					
The Ministry should:					
■ Use information relative to goals and objectives and health system performance in developing its budget.		✓			
■ Develop an approach to information management that supports continuous quality improvement in performance of its governance and stewardship of the health care system.		✓			
■ Assess its capacity to use health information.		✓			
■ Ensure that the health data warehouse will meet its information needs.				✓	
■ Ensure that the proposed data warehouse does not duplicate an existing UBC system.		✓			
■ Develop the information systems capacity to provide the data to measure performance			✓		

Auditor General's Recommendations Current Status	Implementation Status				
	Fully	Substantially	Partially	Alternative Action	No Action
3. Resource Allocation Model The Ministry should: ■ Implement a resource allocation model that is transparent, understandable, and that links information about performance to resource allocation decisions and choices. ■ Introduce the budget allocations based on the model on a more timely basis.		✓	✓		
4. Accountability Reporting The Ministry should: ■ Provide health authorities with reports on their performance and give them direct access to the information so that the health authorities can assess, monitor and compare their own performance to that of other health authorities. ■ Ensure that reports and information on health authority performance are available and accessible to the public. ■ Report on the aggregate performance of the system and the authorities, providing comparative and contextual information that will allow British Columbians to assess the cost-effectiveness of health care services.		✓ ✓ ✓			

Progress on Implementing the Recommendations on 2001/2002 Report 6: Information Use by the Ministry of Health in Resource Allocation Decisions for the Regional Health Care System As at May 31, 2003

Thank you for the opportunity to provide an update on the progress made in implementing the recommendations identified in your report on *Information Use by the Ministry of Health in Resource Allocation Decisions for the Regional Health Care System.*

The Ministry of Health Services is continuing to implement the recommendations outlined in your report and has made significant progress in several areas. The attached table provides a detailed update on the status of actions that the Ministry has undertaken with respect to its resource allocation decision process.

A few significant developments are highlighted as follows.

The Ministry continues to provide direction to the health authorities through the use of annual performance agreements. These agreements outline the Ministry's expectations and performance deliverables for the health authorities, for a three-year period. Performance agreements are updated and renewed annually, identify specific targets, include detailed performance measures and specify reporting requirements for the health authorities in each area of their responsibility.

Your office recently conducted a separate review of the performance agreements between the Ministry of Health Services and the health authorities, and made a number of recommendations regarding accountability, reporting and monitoring. The Ministry, in consultation with the health authorities, will be working on significant improvements to the performance agreement during the next several months, to allow the new version to be ready for fiscal 2004/05.

A considerable amount of effort has gone into improving the quality of information and reporting on the performance of the health care system. Regular meetings (which include Ministry and health authority staff) are conducted to resolve information and data quality issues, and develop and refine reporting requirements. As a result, the compliance, timeliness and quality of health authority reporting have improved.

Ministry reporting on the overall performance of the health authorities has also improved, with an expanded range of performance reports being made available to Ministry and health authority staff. For example, Information Support produces a periodic report (Summary of Health Authority Reported Activities), which provides a high level overview of key financial and sectoral activities, as well as a quarterly report (Health Authority Management Indicator Report), which provides an update on the overall performance of the health authorities. The Performance Management and Improvement Division produces unaudited quarterly reports which provide a working update on the status of the health authorities performance, with respect to their performance agreements and overall health service redesign. In addition, health authorities have increased access (via the Health Authority Management Information System on the intranet) to information with respect to their performance and the performance of the other health authorities.

A part of the national reporting process identified by the joint Federal and Provincial/Territorial Performance Indicators Reporting Committee (PIRC), the Ministry produced a report in September 2002, on fourteen health and health system performance indicators for comparison among all jurisdictions. This was the first time such a report has been produced, and the Ministry also provided a pamphlet appropriate to the public to allow them to understand the implications of these indicators.

Although significant strides have been made in improving the information used in making resource allocation decisions, work continues in some areas. For example, the Population Needs Based Funding (PNBF) model has not been fully implemented for all sectors across the continuum of the health care system (eg. Public Health). The Ministry is in the process of establishing a Ministry/health authority working group, which will review the PNBF model to develop potential enhancements and implementation plan. As we have done in the past, the Ministry will also involve national experts to give us an assessment of our evolving PNBF model.

In closing, the Ministry of Health Services continues to be committed to the restructuring of an affordable and sustainable health care system, while providing high quality patient-centred care. Improving the information used in resource allocation decisions for the regional health care system is an important part of this process.

Again thank you for the opportunity to provide an update.

Recommendation #1

Direction and Expectations

The Ministry should:

Define its information needs

Implementation status: Substantially implemented

- Information Support (IS) participates in monthly Committee for Health Authority Monitoring of Performance (CHAMP) meetings with the Performance Management Improvement Division (PMID) to resolve information and reporting issues.
- IS has developed a comprehensive list of all regular reporting requirements for quantitative data from health authorities to the Ministries of Health. The Deputy Minster of Health sent this document to Health Authority CEOs on June 13, 2003, together with direction that reporting against this list was mandatory.
- A working group has been established with HAs to develop and refine reporting requirements, e.g. workload, finance.
- IS has developed a "Summary Report of Health Authority Activities for 2001/02." This is produced monthly, distributed widely within the ministry and posted on the IS website. The report is also circulated in draft to HA CEOs for distribution to staff for information and to foster improved data quality.
- Committees have been established to develop minimum data sets (MDS) for mental health and home & community care.
- MIS operating instructions for 2002/03 were distributed to HAs before April 1 of the new fiscal year.
- Currently establishing a joint process with Health Authorities for the further development and maintenance of the performance measures in response to the OAG report on Performance Agreements released May 2003.
- The OAG's report which focused on the performance agreements between the MoHS and the Health Authorities. This review will be used by the Ministry in working with the health authorities to develop the 2004/05 performance agreements. It should be noted the new framework for the Health Service Plans will provide guidance for changes to the performance agreements. The Ministry will be developing a joint process with the Health Authorities for further development and maintenance of the performance measures.

The Ministry should:

Set measurable performance expectations that support the Ministry's strategic direction, and governance and resource allocation decisions.

Implementation status: Substantially implemented

- A table of linkages and data sources was prepared to support Service Plans and Performance Agreements.
- HAMIR changed to reflect current HA structure and new indicators have been developed.
- Continue to work to supply data in support of performance measures in service plans and performance agreements, including clarifying data definitions and availability. 2003/04 draft Performance Agreements issued June 13, 2003.
- New HAMIR issue released April 2002 included expanded acute care status/indicators. Intend to expand future versions to include other sectors.
- Performance Agreements with health authorities done for 2002/03 and 2003/04.
- Measurable performance expectations that support the ministry's strategic direction will be developed in consultation with the health authorities for 2004/05. Committee structure to develop expectations is currently being established for inclusion in 04/05 Performance Agreements.
- Ongoing linkages with Strategic Change Initiatives Division, Ministry of Health Planning, to support system performance success measures.

The Ministry should:

Develop and publish an accountability framework for the regional health care system that describes roles, responsibilities and performance reporting expectations.

Implementation status: Partially implemented

- Health Authority Management Information System (HAMIS) compliance reports done. IS continues to work on other data system reports. Summary of Health Authority Reported Activities (SHARA) reports for 2002/03 include compliance reporting on Discharge Abstract Database reporting, by Acute/Rehab/MH and Day Care Surgery, for each reporting facility, Health Service Delivery Area (HSDA) and HA.

- PMID integrates new reporting and monitoring initiatives via CHAMP.
- Enhancing performance measures is an expectation and task of CHAMP.
- The OAG's recent report on the Performance Agreements has several recommendations to enhance the roles and responsibilities for leadership and service delivery. The response to these recommendations will be developed in consultation with the Health Authorities for 2004/05 and is part of the ongoing refinement of expectations.
- Health Service Plan performance measures will be reviewed with health authorities in 2003/04.

The Ministry should:

Issue health authority funding allocation letters prior to the beginning of the fiscal year.

Implementation status: Partially implemented

- Reporting requirements document sent to HAs June 13, 2003 with Budget Management Plan and Redesign Plan instructions and draft Performance Agreements.
- Work continues on ministry consolidated funding letter to HAs.
- 2003/04 funding letter delayed due to supplementary estimates for Federal funding sent to HAs June 6, 2003.

The Ministry should:

Ensure that reporting is connected to the authorities accountabilities.

Implementation status: Substantially implemented

- Membership of CHAMP was revised following health authority restructuring with new terms of reference approved.
- CHAMP meetings continue to take place monthly.
- Health Authorities' reporting compliance continues to be a standing agenda item. An increasing focus is also placed on data quality.
- 03/04 Performance Agreement includes the requirement to report data as specified by the Ministry.
- CHAMP membership and activities defined.

- Service plan linkages established with 2003/04 Performance Agreements. The OAG's recent report on the Performance Agreements has several recommendations to enhance performance measurement and reporting. The response to these recommendations will be developed in consultation with the Health Authorities for 2004/05.
- Reporting compliance has improved during 2002/03, with the expectation of significant improvements in 2003/04 and 2004/05.

Recommendation #2

Use of Information

The Ministry should:

Use information relative to goals and objectives and health system performance in developing its budget.

Implementation status: Substantially implemented

- IS has been providing specific analyses and reports to support PMID's work on service plans and performance agreements.
- IS provides data reports to PMID in order to assess HA performance against performance agreement expectations and to further develop indicators.
- Review HA Boards and reporting requirements is in progress for integration, consistency and improvement of MoHS reports.
- HAs were given 3 year funding allocations for planning purposes. Funding levels represent 0% growth over 3 years. HAs must balance budgets by 2004/05.
- Ministry is working with HAs on the development of a PNFB model for AMH and PPH. The ministry is establishing a MoH/TBS/HA working group to review the PNBF model and develop potential enhancements.

The Ministry should:

Develop an approach to information management that supports continuous quality improvement in performance of its governance and stewardship of the health care system.

Implementation status: Substantially implemented

- Population Utilization Rates and Referrals for easy Comparative Tables (PURRFECT): new version released in July 2002 was developed to report on the new HA structure, and the 2003 issue continues to reflect that structure.
- Training sessions provided to staff in the spring of 2003 as part of the IS series of training sessions.

- Improvements have been made to the e-HAMIS system.
- Standard reports have been developed to try to meet identified ongoing client needs.
- Executive report (SHARA) has been developed.
- New HA Data Sharing Agreement was developed and implemented.
- Work with HAs is ongoing and in progress with CHAMP.
- Link with Strategic Change Initiatives Division, MoHP, to support system-wide goal setting and direction.
- The health ministries are working with the health authorities on an on-going basis to develop project management culture, capacity and skill base.
- A number of project management training sessions have been delivered to the Northern Health Authority, the Interior Health Authority and the Vancouver Island Health Authority.
- All major provincial e-health projects are managed based on PM methodology.
- The health ministries' business areas have adopted and implemented PM methodology.
- The health ministries contributed significantly to the establishment of the Results Management Office on PM methodology and templates, portfolio management and the Results Management's upcoming website.

The Ministry should:

Assess its capacity to use information.

Implementation status: Substantially implemented

- IS staff training assessment completed.
- Information Support coordinated a series of training sessions for PMID and other ministry staff, dealing with the main sources of health data available within the ministries and how the data can be used to address various ministry issues.
- IS also coordinated a substantial number of technical training activities for IS and associated staff, including CIHI offerings.
- Quantum Analyser, a user-friendly health information database, containing a wide variety of health statistics, was purchased and tested by PMID and other ministry staff.

- GIS projects were implemented to determine the usefulness of the tool.
- Activities underway to improve analysis programs, initiatives and sectors include the development and implementation of business case assessment tools for performance management staff.
- Implementation of a framework for routine reporting including quarterly and final reporting on health authority activities.

The Ministry should:

Ensure that the health data warehouse will meet its information needs.

Implementation status: Alternative action

- HNData Phase Two is being deferred due to funding and business resource constraints.
- The health ministries are actively working with the health authorities to explore funding opportunities and to further define the business requirements for Phase II.

The Ministry should:

Ensure that the proposed data warehouse does not duplicate an existing UBC system.

Implementation status: Substantially implemented

- Ongoing work with UBC being done.
- Using UBC system to support key Ministry priorities (eg. Chronic disease management; 5% of population who use health care services).

The Ministry should:

Develop the information systems capacity to provide the data to measure performance.

Implementation status: Partially implemented

- SHARA Report for fiscal year end March 31, 2002 and periods 5 to 13 for 2002/03 have been released.
- HAMIS reports are available to HAs via the internet (e-HAMIS) with further enhancements being made to improve HA usage.
- A web-based data analysis tool (microstrategy) and a metadata repository/dictionary (sofiva) are integral parts of the data warehouse. These tools have been in use by the health ministries.

Recommendation #3

Resource Allocation Model

The Ministry should:

Implement a resource allocation model that is transparent, understandable, and that links information about performance to resource allocation decisions.

Implementation status: Substantially implemented

- A Ministry/HA committee has been formed to provide strategic direction for future development of the model. This will include an external review of the existing PNBF model, annual updates of the model and possible future areas of application.
- PHSA has identified tertiary/provincial programs requiring targeted funding mechanisms; the ministry is establishing processes to address the need for funding these programs.

The Ministry should:

Introduce the budget reallocations based on the model on a more timely basis.

Implementation status: Partially implemented

- HAs received their 2002/03 funding allocations and Performance Agreements prior to April 1, 2002.
- The Ministry used the PNFB models for acute and community care sectors to allocate 85% of base acute care and home and community care funding in 2002/03, and the incremental funding for 2003/04.
- The Ministry continues to sent the HAs funding update letters only as required.
- HAs received the 2003/04 funding allocations by June 6, 2003.

Recommendation #4

Accountability Reporting

The Ministry should:

Provide health authorities with the reports on their performance and give them direct access to the information so that the health authorities can assess, monitor and compare their own performance to that of other health authorities.

Implementation status: Substantially implemented

- HAMIR has been enhanced by the addition of information on HA affiliates. Data is now presented both including and excluding the data from affiliates. In addition, a number of additional indicators have been added in response to requests from Health Authorities.

- A period Summary of Reported Health Authorities Activities report is produced which provides a high level overview of key financial and sectoral activities.
- A joint HA/Ministry working group has been established to address emerging reporting issues. A new "Days Late" report has been developed and distributed widely.
- Work continues through CHAMP.
- PMID continues to work with information Support and the PHSA to enhance provincial program reporting.
- The OAG's recent report on the Performance Agreements has several recommendations to enhance performance measurement and reporting. The response to these recommendations will be developed in consultation with the PHSA for 2004/05.
- Work continues on regular, accessible quarterly and final reporting on health authority activities.

The Ministry should:

Ensure that the reports and information on health authority performance are available and accessible to the public.

Implementation status: Substantially implemented

- Annual reports on HA performance in 2002/03 are close to finalization.

The Ministry should:

Report on the aggregate performance of the system and the authorities, providing comparative and contextual information that will allow British Columbians to assess the cost-effectiveness of health care services.

Implementation status: Substantially implemented

- DAD deadlines for 2003 data are June 30, 2003 for data submission and July 31, 2003 for data corrections.
- As part of the national reporting process identified by the joint Federal and Provincial/Territorial PIRC, the ministry produced a report in September 2002, on fourteen health and health system performance indicators for comparison among all jurisdictions.
- Analysis continues to be done with program areas through committees such as the HCC Council

- Data reports (quarterly and annual) are compiled to reflect current status of HA performance.
- Further reporting will be developed in consultation with the Health Authorities for 2004/05 in response to the OAG report of the Performance Agreements.
- Collaborate with the Strategic Change Initiative, Ministry of Health Planning, to develop system-wide strategic direction and planning focus.
- Work with TBS and OCG is ongoing.
- Health Authorities will submit quarterly reports (year-to-date actuals and 3 year projections) to MoHS in 2003/04, which meet OCG and TBS reporting requirements.

Appendix

Timetable of Reports Issued and Public Accounts Committee Meetings on Information Use by the Ministry of Health in Resource Allocation Decisions for the Regional Health Care System

March 2002	Office of the Auditor General issues *2001/2002 Report 6: Information Use by the Ministry of Health in Resource Allocation Decisions for the Regional Health Care System.* The report included 16 recommendations.
July 2002	The Select Standing Committee on Public Accounts reviews our report.
February 2003	The Select Standing Committee on the Public Accounts' review of the report tabled in the Legislative Assembly.
August 2003	Office of the Auditor General issues its first follow-up report on *Information Use by the Ministry of Health in Resource Allocation decisions for the Regional Health Care System.*

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Office of the Auditor General of British Columbia

Information provided to the Select Standing Committee
on Public Accounts regarding
the follow-up of recommendations in

2000/2001 Report 4:

Management Consulting Engagements in Government

August 2003

OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

We have carried out a follow-up review of the implementation of the recommendations in our report of *Management Consulting Engagements in Government* and enclose the following:

- My opinion on the status provided by management.
- A Summary of the original report showing the audit purpose, scope and overall conclusion.
- A Summary of the status of recommendations.
- Management's representations on the status of recommendations.
- Timetable of Reports Issued and Public Accounts Committee Meetings on Management Consulting Engagements in Government.

Since there are still significant recommendations that have not been implemented, we will carry out a follow-up in about 12 months and report to the committee after completion of our review.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

August 25, 2003

OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

This is our report on our 2003 follow-up of our recommendations from our *Management Consulting Engagements in Government*.

Information as to the status of the recommendations was provided to us by the Ministries of Advanced Education, Children and Family Development, Competition, Science and Enterprise and Finance. We reviewed these responses in July 2003.

We have reviewed the representations provided by these ministries regarding their progress in implementing the recommendations. Our review was limited to the policies and management practices implemented since our audit and did not allow us to assess how well the ministries are actually complying with government policies. The review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted primarily of enquiry, document review and discussion.

Based on our review, nothing has come to our attention to cause us to believe that the Status Report on Implementation of the Auditor General's recommendations does not present fairly, in all significant respects, the progress made in implementing the recommendations contained in our Management Consulting Engagements in Government report.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

August 25, 2003

Summary of Original Report on Management Consulting Engagements in Government

Audit Purpose and Scope

The purpose of the audit was to determine to what extent the government in British Columbia was receiving value for money from its management consulting engagements and whether government was awarding these contracts in a fair and open manner.

We answered the following four key questions:

- Were the management consulting contracts awarded in a fair and open manner?
- Did the results of the engagements meet the need originally identified?
- Were the results of the management consulting engagements used?
- Could management demonstrate that the benefits of the management consulting engagements outweighed the costs?

The audit was limited to management consulting contracts within ministries. It did not consider those contracts awarded by Crown corporations or other government agencies, which were not subject to the same policies and procedures as the ministries. Information technology consulting was also not included. We did not perform a comprehensive review of the legal aspects of contracting for management consulting services (for example, contract language and enforceability).

We focused only on the actions of government officials as they entered into and administered these management consulting contracts, and we did not audit the consultants, and we make no comment on their actions.

Overall Conclusion

Overall, we concluded that the ministries were receiving value for money from the majority (about 74%) of the management consulting contracts we could conclude on. In the other 26%, value for money was not received. In these situations, inadequate planning, inappropriate contractor selection, poor contract management or a combination of these factors usually accounted for the results. We also concluded that in most cases the ministries lacked action plans with which to ensure that consultant recommendations are acted upon and not lost or forgotten.

All of the ministries we reviewed, with the exception of the Ministry of Forests, usually awarded their management consulting contracts directly and not in an open and fair manner. Direct awards are contrary to government's principle of fair and open competition and make it almost impossible to ensure that management consulting engagements are being awarded in a manner that ensures best value. Although there are legitimate reasons for direct awarding, most of those we reviewed were not justifiable. Because direct awards were easier to initiate, managers generally opted for efficiency rather than fairness and openness.

At the same time, since the $25,000 threshold and the exceptions to competitive award policies had not been reviewed for several years, it was not clear to us whether these policies led to the best value or represented the best balance between fairness and efficiency.

Summary of Status of Recommendations

Management Consulting Engagements in Government

Original Issue Date: March 2001

Years Followed Up: June 2002, July 2003

Summary of Status as at May 31, 2003	Ministry			
	Finance	Advanced Education	Children and Family Development	Competition, Science and Enterprise
Total Recommendations for further follow-up	**2**	**2**	**1**	**4**
Fully Implemented	0	0	0	4
Substantially Implemented	0	0	0	0
Partially Implemented	1	2	1	0
Alternative Action	1	0	0	0
No Action	0	0	0	0
Follow-up Required	2	2	1	0

Recommendations Requiring Follow-up

Ministries of Finance

- Government should ensure that a number of direct award contracts are randomly audited each year, to check that these contracts are being awarded according to government policy.
- Government should annually report all service contracts for amounts greater than the competitive award threshold, including information about the purpose of the contract, the contractor name, the size of the contract and the awarding method.

Ministry of Advanced Education

- Ministries should create and monitor action plans for implementing the management consultant recommendations they have accepted.
- Ministries should complete an evaluation of the results of each significant consulting engagement once it is completed.

Ministry of Children and Family Development

- Ministries should create and monitor action plans for implementing the management consultant recommendations they have accepted.

Status of Implementation by Recommendation 2000/01 Report 4: Management Consulting Engagements in Government Ministry of Finance

Original Issue Date: March 2002

Date First Followed Up: May 2002

Date Further Followed Up: May 2003

Auditor General's Recommendations Current Status	Implementation Status				
	Fully	Substantially	Partially	Alternative Action	No Action
Part I: Is the process of awarding management consulting contracts fair and open?					
5. Government should ensure that a number of direct award contracts are randomly audited each year, to check that these contracts are being awarded according to government policy.			✓		
6. Government should annually report all service contracts for amounts greater than the competitive award threshold, including information about the purpose of the contract, the contractor name, the size of the contract and the awarding method.				✓	

Progress on Implementing the Recommendations on 2000/01 Report 4: Management Consulting Engagements in Government
Ministry of Finance
As at May 31, 2003

Since the previous follow up, the Payment Review Office (PRO), in the Office of the Comptroller General, is expanding to enable reviewing of all types of payments including contracts; the Procurement Governance Office (PGO), also in the Office of the Comptroller General, was established to be responsible for procurement policy in direct government. PGO, Internal Audit and Advisory Services, and PRO are working together to develop a compliance monitoring framework for procurement policy. A Contract Management Information System continues to be considered as an option for recommendation number six, but funding is not available. The Corporate Accounting System is now the responsibility of the Ministry of Management Services.

Part I: Is the process of awarding management consulting contracts fair and open?

Recommendation #5:

Government should ensure that a number of direct award contracts are randomly audited each year, to check that these contracts are being awarded according to government policy.

Implementation status: Partially implemented

Internal Audit & Advisory Services (IAAS)

Audits performed by IAAS do not focus specifically on the direct award of management consulting contracts; contracts are a subset of their audits that assess broader policy compliance. Since the last follow up, IAAS has examined the following projects related to contract management:

- how management at the Ministry of Children and Family Development can develop and manage output based contracts;
- a ministry wide contract management baseline review for the Ministry of Community, Aboriginal and Women's Services;
- reviews of agencies contracted to provide services on behalf of three ministries.

IAAS is planning a review of alternative service delivery arrangements to identify what has worked, what hasn't and to develop tools and guidelines to assist management. This review is proposed to be cross-government.

Additional projects are underway or completed.

IAAS is developing an audit program for the Procurement Governance Office; the purpose is to audit high-risk procurement areas not being included in the post payment reviews conducted by PRO. Direct award is one of the high-risk areas. The Payment Review Office has also requested a baseline audit of procurement contracts which may include direct awards.

Payment Review Office

Subsequent to the previous update, the PRO is expanding to review all invoices, including contracts, using a risk-based statistical sampling approach. Commencement of PRO's expanded review program will coincide with the roll out of Procurement, which is currently scheduled to begin in November 2003. This module will identify contracts as a type of payment, enabling PRO to sample and review contracts for policy compliance.

PRO's sampling strategy includes dollar unit and judgemental sampling of contracts including direct award contracts.

Procurement Governance Office

The Procurement Governance Office was established to be responsible for procurement policy in direct government. An initiative is underway to develop a compliance monitoring and reporting framework on government procurement policy utilizing the capabilities of PRO and IAAS. This framework is anticipated to be in place by the Fall of 2003.

Recommendation #6:

Government should annually report all service contracts for amounts greater than the competitive award threshold, including information about the purpose of the contract, the contractor name, the size of the contract and the awarding method.

Implementation status: Alternative action

Issues noted in our previous update included consideration for developing a Contract Management Information System (CMIS) to provide ministries with the tools to provide the recommended information, a review of issues such as privacy and confidentiality concerns, and the overall cost/benefit of collecting and reporting additional data.

Privacy and confidentiality was reviewed, and is not considered to be an issue as no personal information would be collected or released.

The cost/benefit of the CMIS was estimated to be approximately $10 million in capital expenditure, plus $1.1 to $1.5 million in annual operating costs. The benefit of implementing a CMIS is estimated at $4.5 million annually in reduced effort for preparing and managing contracts.

Although we are still considering the options for a contract management system, no funding is available at this time. The Ministry for Children and Family Development, one of the major proponents for such a system, is reconsidering their needs as they restructure into regional authorities. The Ministry of Community, Aboriginal and Women's Services have built their own system to meet their specific needs.

The alternative is for ministries to manually search their contracts to create such a report. The cost data for this approach is not available, but would have to be managed within existing resources, which have been significantly reduced.

Related to both recommendations, the PGO is developing policy for a Vendor Complaint Resolution Process. This process will include reporting results of investigations on vendor complaints involving government procurements of ministries or the Purchasing and Supply Services Division, in the Ministry of Management Services, and recommending improvements to their procurement processes. The PGO, in partnership with Employee Learning Services and Procurement Shared Services, is developing a comprehensive procurement curriculum for training government staff on procurement policy and procedures.

In addition, a Procurement Council was created as a vehicle for communication of procurement policy, and discussion and resolution of procurement policy and service issues.

These measures will work together to improve the government procurement process.

Status of Implementation by Recommendation
2000/01 Report 4: Management Consulting Engagements in Government
Ministry of Advanced Education

Original Issue Date: March 2002

Date First Followed Up: May 2002

Date Further Followed Up: May 2003

Auditor General's Recommendations Current Status	Implementation Status				
	Fully	Substantially	Partially	Alternative Action	No Action
Part II: Is the use of management consulting engagements providing value?					
11. Ministries should create and monitor action plans for implementing the management consultant recommendations they have accepted.			✓		
12. Ministries should complete an evaluation of the results of each significant consulting engagement once it is completed.			✓		

Progress on Implementing the Recommendations on 2000/01 Report 4: Management Consulting Engagements in Government Ministry of Advanced Education As at May 31, 2003

Since the last follow-up report from June 2002, some progress has been made on implementing recommendation 11 and 12. In fiscal 02/03, the ministry had 9 consulting engagements primarily in four branches of the ministry. All contracts were under $25,000 and the majority were under $10,000. In fiscal 00/01, the year of the report was originally issued, the ministry had 32 consulting engagements, 11 of those were Communications contracts, which are no longer a part of the ministry, but rather fall under the responsibility of the Public Affairs Bureau.

Part II: Is the use of management consulting engagements providing value?

Recommendation #11:

Ministries should create and monitor action plans for implementing the management consultant recommendations they have accepted.

Implementation status: Partially implemented

The follow up report from June 2002 indicated that this was "Not implemented." However, a memorandum dated May 23, 2002 from Gerry Armstrong was sent out to directors reinforcing the importance of developing and monitoring an action plan to implement the management consulting recommendations that were accepted by the Ministry.

Recommendation #12:

Ministries should complete an evaluation of the results of each significant consulting engagement once it is completed.

Implementation status: Partially implemented

The follow up report from the June 2002 indicated that this was "Partially implemented." An evaluation form was made available on-line to assist contract managers and staff with this. In addition, the policy and the value of performing an evaluation is further endorsed in the "Contract Management Workshops" put on by FASB and attended by ministry staff.

Status of Implementation by Recommendation
2000/01 Report 4: Management Consulting Engagements in Government
Ministry of Children and Family Development

Original Issue Date: March 2002

Date First Followed Up: May 2002

Date Further Followed Up: May 2003

Auditor General's Recommendations Current Status	Implementation Status				
	Fully	Substantially	Partially	Alternative Action	No Action
Part II: Is the use of management consulting engagements providing value?					
11. Ministries should create and monitor action plans for implementing the management consultant recommendations they have accepted.			✓		

We have continued to endorse the value of performing and evaluation in our "Contract Management Workshops."

Progress on Implementing the Recommendations on 2000/01 Report 4: Management Consulting Engagements in Government Ministry of Children and Family Development As at May 31, 2003

The Ministry of Children and Family Development has reviewed all management consulting contracts completed during the 2002/03 fiscal year. The evaluation forms completed by contract managers confirm that action plans have been developed for implementing the recommendations made by the contractors and, in many cases, the recommendations have already been implemented.

Part II: Is the use of management consulting engagements providing value?

Recommendation #11:

Ministries should create and monitor action plans for implementing the management consultant recommendations they have accepted.

Implementation status: Partially implemented

The ministry will follow-up with contract manages for the completion of all remaining evaluation forms for the 2002/03 fiscal year and will monitor compliance on a monthly basis from this time forward.

Status of Implementation by Recommendation
2000/01 Report 4: Management Consulting Engagements in Government
Ministry of Competition, Science and Enterprise

Original Issue Date: March 2002

Date First Followed Up: May 2002

Date Further Followed Up: May 2003

Auditor General's Recommendations Current Status	Implementation Status				
	Fully	Substantially	Partially	Alternative Action	No Action
Part I: Is the process of awarding management consulting contracts fair and open? 3. Ministries should establish adequate systems for ensuring that relevant contract documentation is maintained.	✓				
Part II: Is the use of management consulting engagements providing value? 7. Ministries should ensure they adequately assess and document the need for a consulting project before seeking to engage a consultant. For significant projects, this assessment should include a more rigorous analysis and documentation of the costs and benefits.	✓				
11. Ministries should create and monitor action plans for implementing the management consultant recommendations they have accepted.	✓				
12. Ministries should complete an evaluation of the results of each significant consulting engagement once it is completed.	✓				

Progress on Implementing the Recommendations on 2000/01 Report 4: Management Consulting Engagements in Government Ministry of Competition, Science and Enterprise As at May 31, 2003

Part I: Is the use of management consulting engagements providing value?

Recommendation #3:

Ministries should establish adequate systems for ensuring that relevant contract documentation is maintained.

Implementation status: Fully implemented

In March and April 2003, ministry finance and administration staff held a number of workshops for support staff, contract managers and program managers to review documentation requirements for contracts and contribution agreements. Content of branch contract files was discussed. Templates to ensure proper documentation and routing for approvals, and checklists to help staff self-check for errors or omissions and other instructions and guidelines were provided at the workshop and are available for all ministry staff through our shared network drive.

The ministry has engaged Internal Audit and Advisory Services, Office of the Comptroller General, Ministry of Finance to conduct a program of quarterly audits of contracts, grants and contribution agreements. Included amongst the Purpose and Objectives in the Terms of Reference document is

- monitor compliance with the Auditor General's recommendations in the June 2002 report *Managing Consulting Engagements in Government.*

Recommendation #7:

Ministries should ensure they adequately assess and document the need for a consulting project before seeking to engage a consultant. For significant projects, this assessment should include a more rigorous analysis and documentation of the costs and benefits.

Implementation status: Fully implemented

This was covered in the Workshops held for staff and management, and will be monitored as part of the Internal Audit program by IAAS.

Recommendation #11:

Ministries should create and monitor action plans for implementing the management consultant recommendations they have accepted.

Implementation status: Fully implemented

This was covered in the Workshops held for staff and management, and will be monitored as part of the Internal Audit program by IAAS. Many of our management consulting engagements do not seek or result in recommendations from the consultant, rather, we engage consultants to gather and report on information and issues relevant to recommendations or decisions the ministry must make.

Recommendation #12:

Ministries should complete an evaluation of the results of each significant consulting engagement once it is completed.

Implementation status: Fully implemented

This was covered in the Workshops held for staff and management, and will be monitored as part of the Internal Audit program by IAAS commencing this summer. In addition, Finance and Administration staff will specifically request evaluations done on a sample of the significant contracts completed in fiscal 2002/03.

Appendix

Timetable of Reports Issued and Public Accounts Committee Meetings on Management Consulting Engagements in Government

March 2001	Office of the Auditor General issues *2000/2001 Report 4: Management Consulting Engagements in Government.* The report included 12 recommendations.
December 2001	The Select Standing Committee on Public Accounts reviews our report.
February 2002	The Select Standing Committee on Public Accounts reports to the Legislative Assembly on its review of the report.
June 2002	Office of the Auditor General issues its first follow-up report on *Management Consulting Engagements in Government.*
August 2003	Office of the Auditor General issues its second follow-up report to the Select Standing Committee on Public Accounts.

Office of the Auditor General of British Columbia

Information provided to the Select Standing Committee
on Public Accounts regarding
the second follow-up of recommendations in

1998/1999 Report 2:

Ministry of Health and Ministry Responsible for Seniors:
Pharmacare Branch

Managing the Cost of Drug Therapies
and Fostering Appropriate Drug Use

August 2003

OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

We have carried out a second follow-up review of the implementation of the recommendations in our *1998/1999 Report 2: Managing the Cost of Drug Therapies and Fostering Appropriate Drug Use* and enclose the following:

- My opinion on the status provided by management
- A summary of the original report showing the audit purpose, scope and overall conclusion
- A summary of the status of recommendations since the first follow-up review
- Management's representations on the status of recommendations
- Timetable of Reports Issued and Public Accounts Committee Meetings on *1998/1999 Report 2: Managing the Cost of Drug Therapies and Fostering Appropriate Drug Use*.

Although there are three recommendations that have not been fully implemented, adequate progress is being made on their implementation. For two of those recommendations recent statutory accountability initiatives to develop performance indicators and report performance will promote progress on their implementation. As a result, we do not plan to carry out any further follow-up reviews relating to this report.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

August 25, 2003

OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

This is our report on our follow-up of our recommendations from our *1998/1999 Report 2: Managing the Cost of Drug Therapies and Fostering Appropriate Drug Use.*

Information as to the status of the recommendations was provided to us by the Ministry of Health Services Pharmacare Branch. We reviewed this response in July and August 2003.

We have reviewed the representations provided by the Ministry of Health Services Pharmacare Branch regarding progress in implementing the recommendations. The review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted primarily of enquiry, document review and discussion.

Based on our review, nothing has come to our attention to cause us to believe that the Status Report on Implementation of the Auditor General's recommendations does not present fairly, in all significant respects, the progress made in implementing the recommendations contained in our *1998/1999 Report 2: Managing the Cost of Drug Therapies and Fostering Appropriate Drug Use.*

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

August 25, 2003

Summary of Original Report on Pharmacare: Managing the Cost of Drug Therapies and Fostering Appropriate Drug Use

Audit Purpose and Scope

The purpose of the audit was to assess whether the ministry adequately manages the cost of prescription drug therapies provided under Pharmacare and whether it fosters appropriate drug use. To do this, we examined the processes used by the ministry to:

- decide which drugs to cover;
- foster appropriate drug use;
- ensure cost-effective drug therapies;
- pay the right price for drugs dispensed; and
- evaluate and report program results.

We did not look at the payment of dispensing fees to pharmacists or the issue of "ability to pay" by those receiving benefits. In addition, we did not focus on the broad issue of illegal drug abuse, but did include initiatives aimed at preventing drug fraud and the inappropriate use of prescription drugs. Finally, we did not review the issue of alternatives to drug therapies.

Overall Conclusion

We concluded that the Ministry of Health and Ministry Responsible for Seniors is adequately managing the cost of drug therapies, although it could do more to foster appropriate drug use.

The ministry has an independent drug review process that ensures new drugs are provided as Pharmacare benefits only if they provide good value for money and is developing a new process to identify existing drugs that are no longer cost-effective. It also has programs in place to ensure that cost-effective drugs are prescribed and drug waste is reduced. The PharmaNet system, for example, is used to prevent and detect drug fraud and abuse and to reduce duplication of medications. Finally, the ministry ensures that it pays reasonable prices for drugs dispensed by pharmacies, although, additional assurance would be obtained if the ministry carried out audits of community pharmacies. The ministry is currently developing such a program.

The ministry supports several programs aimed at informing physicians, pharmacists and patients about appropriate drug use. However, to further foster appropriate drug use, the ministry needs to:

- encourage the medical and pharmacy professions to investigate the extent of, and reasons for, patient non-compliance with drug therapies and ensure that programs exist to address these issues;
- ensure it receives accountability information from all agencies funded by the ministry to provide programs that foster appropriate drug use;
- include in patient profiles on the PharmaNet system those prescription drugs received by patients from sources other than community pharmacies; and

. . . continued

Continued . . .

- encourage more extensive use of the information in the PharmaNet system, to foster appropriate drug use.

We also concluded that the ministry needs to evaluate the performance of its major Pharmacare programs using a comprehensive performance evaluation framework and to report the results to key stakeholders. It is particularly important that the Reference Drug Program be independently evaluated to assess its impact on health outcomes and overall health care costs. We were pleased to find that the ministry is supporting the evaluation proposals of several independent researchers.

Summary of Status of Recommendations

Managing the Costs of Drug Therapies and Fostering Appropriate Drug Use

Original Issue Date: July 1998

Years Followed Up: June 2002, May 2003

Summary of status May 2003	OAG	Further Follow-up Required
Total Recommendations for further follow-up	**4**	**0**
Fully Implemented for second follow-up	1	0
Substantially Implemented	0	0
Partially Implemented	3	0
Alternative Action	0	0
No Action	0	0

Partially Implemented Recommendations

- Encourage and support the medical and pharmacy professions and the pharmaceutical industry to do more to determine the extent of, and reasons for, patients' non-compliance with drug therapies, so that it can ensure programs exist to address this issue.
- Develop a framework of performance indicators that measure the results of its programs for managing the cost of drug therapies and fostering appropriate drug use.
- Periodically measure, evaluate and report to key stakeholders on the performance of its programs for managing the cost of drug therapies and fostering appropriate drug use.

Status of Implementation by Recommendation 1998/99 Report 2: Ministry of Health and Ministry Responsible for Seniors: Pharmacare Branch Managing the Cost of Drug Therapies and Fostering Appropriate Drug Use

Original Issue Date: July 1998

Date First Followed Up: February 2002

Date Further Followed Up: May 2003

Auditor General's Recommendations Current Status	Implementation Status				
	Fully	Substantially	Partially	Alternative Action	No Action
Fostering Appropriate Drug Use The Ministry should: 3. Encourage and support the medical and pharmacy professions and the pharmaceutical industry to do more to determine the extent of, and reasons for, patient non-compliance with drug therapies so that it can ensure programs exist to address this issue. **To February 2002** ▪ TI physician education ▪ CDUP academic detailing information to GPs ▪ Maximum Day's supply ▪ Trial Prescription Program **To May 2003** ▪ Early Fill policy to discourage over-utilization ▪ Collaboration with academic institutions to initiate research into prescription drug utilization.			✓		

Auditor General's Recommendations Current Status	Implementation Status				
	Fully	Substantially	Partially	Alternative Action	No Action
5. Identify all sources of prescription drugs, other than community pharmacies, and determine whether to include the drug information from these sources in the patient profiles contained in the PharmaNet systems. **To February 2002** ▪ Pilot project with PharmaNet in hospital emergency rooms ▪ Pilot project with PharmaNet in doctor's offices ▪ New College of Pharmacists regulations require all outpatient prescriptions to be transmitted to PharmaNet ▪ No plans for hospital in-patient or AIDS/HIV prescriptions to be transmitted to PharmaNet, due to system feasibility and privacy issues. **To May 2003** ▪ Discussions initiated with leaders of disease-based drug plans: BCCA, BCRA, BCTS and the Centre for Excellence in HIV/AIDS to identify issues.	✓				
Evaluating and Reporting Program Results The Ministry should: 9. Develop a framework of performance indicators that measure the results of its programs for managing the cost of drug therapies and fostering appropriate drug use. **To February 2002** ▪ Commissioned a study to determine the effectiveness of the special Authority Process ▪ Published PharmaCare Trends 2000 ▪ Produce Monthly Management reports ▪ Produce Quarterly Management reports ▪ Ad-hoc reports examine the realization of policy changes towards objectives			✓		

Auditor General's Recommendations Current Status	Implementation Status				
	Fully	Substantially	Partially	Alternative Action	No Action
Evaluating and Reporting Program Results (continued) **To May 2003** ▪ Posted PharmaCare Trends 2002 on public website ▪ Health Services Annual Report and Service Plan					
The Ministry should: 10. Periodically measure, evaluate and report to key stakeholders on the performance of its programs for managing the cost of drug therapies and fostering appropriate drug use. **To February 2002** ▪ Semi-annual forum for drug industry representatives ▪ Publishing PharmaCare Trends document ▪ Regular meetings with the BCMA Pharmacy and Therapeutics Committee **To May 2003** ▪ Posted PharmaCare Trends 2002 on public website ▪ Fair PharmaCare planning and pre-implementation stakeholder consultations ▪ RDP report published December 2002			✓		

Response from Ministry of Health Services Pharmacare Branch

Introduction:

The Office of the Auditor General of British Columbia conducted a six-month audit of the PharmaCare Program, Ministry of Health Services, between July and December 1997. The purpose of the audit was to assess whether the Ministry adequately manages the cost of prescription drug therapies provided under PharmaCare and whether it fosters appropriate drug use. The audit recommendations were compiled in 1998/99: Report 2, Managing the Cost of Drug Therapies and Fostering Appropriate Drug Use.

PharmaCare responded to the recommendations of the Select Standing Committee on Public Accounts and the Auditor General of British Columbia. Those responses were discussed in the first follow-up review on July 24, 2002, with Dr. Penny Ballem, Deputy Minister of Health Planning and Health Services, and Marnie Mitchell, Executive Director of PharmaCare, appearing as witnesses. The Committee issued its report to the Legislative Assembly on February 13, 2003.

The status of recommendations as at July 2002 was as follows: six recommendations fully implemented; one recommendation substantially implemented and four recommendations partially implemented.

The Office of the Auditor General of British Columbia has requested an update on the progress made as at May 26, 2003 in further implementing the four recommendations which were partially implemented by June 2002.

The recommendations under consideration:

Fostering Appropriate Drug Use

The Ministry should:

Recommendation 3: *Encourage and support the medical and pharmacy professions and the pharmaceutical industry to do more to determine the extent of, and reasons for, patient non-compliance with drug therapies so that it can ensure programs exist to address this issue.*

Recommendation 5: *Identify all sources of prescription drugs, other than community pharmacies, and determine whether to include the drug information from these sources in the patient profiles contained in the PharmaNet systems.*

Evaluating and Reporting Program Results

The Ministry should:

Recommendation 9: *Develop a framework of performance indicators that measure the results of its programs for managing the cost of drug therapies and fostering appropriate drug use.*

Recommendation 10: *Periodically measure, evaluate and report to key stakeholders on the performance of its programs for managing the cost of drug therapies and fostering appropriate drug use.*

Changes in BC Pharmacare since June 2002

Fair PharmaCare, which took effect May 1, 2003, combined two existing major PharmaCare plans—the universal plan and seniors' plan into one new plan, with access based on families' ability to pay. BC's PharmaCare program has been modernized to provide fair access to prescription drug users across the province. The new approach focuses PharmaCare financial assistance to British Columbians who need it most: the lower the family income, the more assistance the government provides for that family's prescription drugs.

Under the old approach, many British Columbians with low incomes were paying a higher portion of their prescription drug costs than those with higher incomes. The Fair PharmaCare program helps to correct this inequity and protect the important benefits PharmaCare provides at a time of rapidly rising drug costs. Under the new program, up to 280,000 BC families will pay less than they did in the past. Overall, the vast majority of BC families will pay the same or less for their prescription drug costs through this new, more equitable approach. With these changes, British Columbia provides the second most generous drug coverage in the country.

The inequity of the past has contributed to growing pressure on PharmaCare. In fact, PharmaCare now represents the fastest growing part of BC's health care budget. Over the last decade PharmaCare costs have jumped by 147 percent and were projected to grow by 487 per cent over the next two decades. Change was necessary to sustain PharmaCare for the future and ensure financial assistance continues to be available to people who need help paying for their prescription drugs.

May 2003 Progress Report

Further work has been ongoing on the four recommendations which were partially implemented by February 2002. Of those four, one recommendation has been fully implemented and although progress has been made on the remaining three recommendations, due to circumstances indicated in this report, they continue to be partially implemented.

Implementation Status

Recommendation 3: *Encourage and support the medical and pharmacy professions and the pharmaceutical industry to do more to determine the extent of, and reasons for, patient non-compliance with drug therapies so that it can ensure programs exist to address this issue.*

Status: Partially Implemented

There are limitations to the extent to which PharmaCare is able monitor patients' compliance with dosage instructions for their prescription medications. Nonetheless, PharmaCare is actively analyzing drug utilization information. Specifically, PharmaCare is participating in post surveillance/post marketing monitoring with respect to newly listed and highly expensive drugs in this province. In November 2002, an additional PharmaCare policy was implemented to discourage the purchase of refill prescriptions earlier than required.

PharmaCare continues to collaborate with academic institutions to initiate research into factors affecting drug utilization, and maintains efforts to define and address patient compliance, including giving ongoing support for the Community Drug Utilization Program initiative and the distribution of Therapeutic Initiative letters. Following the implementation of Fair PharmaCare, academic institutions will be monitoring the outcomes of income-based drug insurance, including discontinuation of therapy.

This recommendation is considered to be partially implemented.

Recommendation 5: *Identify all sources of prescription drugs, other than community pharmacies, and determine whether to include the drug information from these sources in the patient profiles contained in the PharmaNet systems.*

Status: Fully Implemented

Prescription drugs are dispensed to patients in British Columbia within disease-specific treatment centres for cancer, end-stage renal disease, HIV/AIDS and solid organ transplantation. Other sources of prescription drugs are physicians working in hospital Emergency Rooms, and dispensing physicians, as well as practitioners who provide drug samples free of charge to their patients. There have been discussions with the BC Cancer Agency, BC Renal Agency, HIV/AIDS Centre for Excellence and the BC Transplant Society about entering prescriptions from their formularies onto each patient's PharmaNet file. Those discussions have included the BC College of Pharmacists and patient advocacy groups. Incorporating the drug information from these sources in the PharmaNet patient profiles would require system modifications and a considerable input of resources from all the stakeholders. This would also require resolution of stakeholder concerns on privacy issues. PharmaCare continues to work with these stakeholders to identify opportunities for including drug information on PharmaNet. Linking to hospital in-patient drug utilization would not gain any cost-effective benefits for improving patient care.

This recommendation is considered to be fully implemented.

Recommendation 9: *Develop a framework of performance indicators that measure the results of its programs for managing the cost of drug therapies and fostering appropriate drug use.*

Status Partially Implemented

A framework of PharmaCare performance indicators has been developed and is partially in use as part of the Health Ministries' Service Plans and Annual Reports, as well as in reporting to Federal/Provincial/Territorial committee meetings. The full complement of indicators is not currently being gathered due to limited resource availability.

In addition, PharmaCare Trends 2002 has been posted on the public website and its content used extensively to demonstrate the rationale for the introduction of Fair PharmaCare. Further indicators have been developed specifically for the monitoring and evaluation of the results of the implementation of Fair PharmaCare.

This recommendation is considered to be partially implemented.

Recommendation 10: *Periodically measure, evaluate and report to key stakeholders on the performance of its programs for managing the cost of drug therapies and fostering appropriate drug use.*

Status: Partially Implemented

The Report on the findings of the Reference Drug Program Consultation Panel, which studied the submissions of a large number of stakeholders, was published in December 2002. Regular liaison with key stakeholders has been a priority during the planning stages for Fair PharmaCare. A planned review of PharmaCare programs will use stakeholder consultations as a major part of that initiative. In addition, the public websites of PharmaCare, the Health Ministries and the BC government have been expanded to include detailed reporting on the cost pressures on PharmaCare and the health care budget of British Columbia.

This recommendation is considered to be partially implemented.

Appendix

Timetable of Reports Issued and Public Accounts Committee Meetings on Managing the Cost of Drug Therapies and Fostering Appropriate Drug Use

July 1998	Office of the Auditor General issues the *1998/99 Report 2: Managing the Cost of Drug Therapies and Fostering Appropriate Drug Use.* The report contains ten recommendations.
December 1998	The Select Standing Committee on Public Accounts reviews the Auditor General's report.
April 1999	The Select Standing Committee on Public Accounts reviews the Committee's draft report to the Legislative Assembly.
May 1999	The Select Standing Committee on Public Accounts reported the results of its review to the Legislative Assembly in its Fifth Report – Third Session 36th Parliament.
July 2002	Office of the Auditor General issues the first follow-up report to the Select Standing Committee on Public Accounts
February 2003	The Select Standing Committee on Public Accounts reports the results of its review to the Legislative Assembly.
August 2003	Office of the Auditor General issues the second follow-up report to the Select Standing Committee on Public Accounts.

Office of the Auditor General of British Columbia

Information provided to the
Select Standing Committee on Public Accounts
regarding the follow-up of recommendations in

2000/2001 Report 1:

Ministry of Education

Fostering a Safe Learning Environment:

How the British Columbia Public School System is Doing

June 2003

OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

This is our annual follow-up report of the recommendations contained in our *2000/2001 Report 1—Fostering a Safe Learning Environment: How the British Columbia Public School System is Doing*.

In June of 2002, we reported on our first follow up of this audit. At that time, we reported that 5 of the 19 recommendations had been fully or substantially implemented. We went on to explain that we would continue to review the other 14 recommendations as part of a future audit designed to look at the accountability contract process.

Since then, we have conducted a preliminary review of recent changes in the way resources are being managed in our schools. Districts are being given more autonomy to make resource allocation decisions, and the ministry is developing processes for reviewing these decisions.

Safe learning continues to be a key issue in many school districts, and surveys of student and parent concerns are being conducted periodically by the ministry. As well, districts that have identified safe learning as a priority are tracking and reporting on initiatives underway as part of their annual accountability contract reporting to the ministry.

To better understand how the BC public school system is now developing the capacity for managing resources in these changing times, we decided to broaden the scope of the audit originally contemplated. Besides looking at the accountability contract process, we are looking at how those in the system are building capacities in the areas of leadership, collaboration, reviewing, planning, managing resources, and professional learning, to sustain continuous improvement.

It is my intention to have my staff continue to monitor the capacity of the public school system to foster safe learning through this broader look at processes for enhancing education improvement. As such, I will not be submitting separate follow-up reports on progress with the 14 outstanding recommendations from the original report. My first report on how the system is building capacity for continuous improvement will be published in February or March of 2004.

We enclose the following:

- the audit purpose, scope and overall conclusion of the original audit, and
- a summary of the status of recommendations at the time of our first follow-up (June 2002).

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

June 25, 2003

Original purpose, scope and overall conclusion of Report 1: 2000/2001—Fostering a Safe Learning Environment: How the British Columbia Public School System is Doing

Audit Purpose and Scope

The purpose of the audit was to assess the extent to which the public school system in British Columbia was fostering a safe learning environment—one in which students behave in a socially responsible manner, are treated with respect, and feel secure to engage in learning, safe from physical threat, bullying, harassment, intimidation and intolerance.

We recognized that there are many factors outside the control of the school system that influence attitudes and behaviours needed for a safe learning environment: family, community and cultural influences, and socioeconomic conditions. Our audit was focused on the actions being undertaken in the public school system (kindergarten to grade 12) to foster safe learning.

We looked at The Ministry of Education's policy guidelines for dealing with disruptive behaviour, safe learning programs, core curriculum to foster socially responsible behaviour and related resource materials and teacher in-service training programs that had been introduced over the preceding three or four years.

We did not audit the delivery of student health and development programs in the then Ministry of Children & Families or programs in the Ministry of Attorney General designed to reduce violence in the community. Rather, we gathered information from those inside and outside the school system about how efforts are coordinated with these other programs—so that we could assess the efforts of the Ministry of Education and the rest of the school system as part of the bigger picture.

We visited several school districts, where we went to elementary, middle and secondary schools to meet with principals and vice-principals, teachers, counsellors, students and parents. We also interviewed superintendents, directors of instruction, members of district parent advisory committees, school safety contacts, district counsellors and school board trustees. We timed our visits to be able to attend meetings and presentations of district committees working to reduce aggression and improve safe learning in schools.

As well, we surveyed every school district in the province by distributing a random sample of questionnaires to teachers and school-based administrators. The questionnaires asked in detail about policies, programs and curriculum being used to foster safe learning, and about how results of these efforts are tracked. To supplement the information we gathered directly from parents and students, we used the findings of student and parent surveys already done by BC Student Voice (a provincial body that speaks for students), the Ministry of Education, the BC Safe Schools Centre and the McCreary Centre Society.

Overall Conclusion

We concluded that for most students British Columbia schools are, generally, safe places to spend time and learn. However, in every school there are incidents of aggressive behaviour (including verbal, physical and psychological aggression) that negatively impact the learning environment and cause some students to feel unsafe.

The public school system in the province had recognized this problem and had developed policies and programs designed to address it. As well, curriculum for promoting socially responsible behaviour had been made part of the province's core requirements for kindergarten to grade twelve. Early indications suggested that these efforts were worthwhile, although more needed to be done to fully implement the initiatives and to properly assess the extent to which various strategies were working.

Summary of Status of Recommendations

Fostering a Safe Learning Environment: How the British Columbia Public School System is Doing

Original Issue Date: June 2000

Follow-up Date: June 2003

Status reported at June 2002	OAG	PAC	Further Follow-up Required
Total Recommendations	**19**	**0**	**14***
Fully Implemented	2	0	0
Substantially Implemented	3	0	0
Partially Implemented	5	0	5*
Alternative Action	8	0	8*
No Action	1	0	1*

*original footnote stated: The Auditor General will follow up on further implementation by school districts, and the ministry's monitoring of district progress, as part of an audit of the school district accountability contract process.

(new approach: Any further follow up will now take place as part of future education risk audits of how the K to 12 system is building capacity for continuous improvement).

Summary of Status of Implementation by Recommendation
As at June 30, 2002
Fostering a Safe Learning Environment: How the British Columbia Public School System is Doing (Report 1: 2000/01)

Office of the Auditor General of British Columbia Recommendations	Implementation Status				
	Fully	Substantially	Partially	Alternative Action*	No Action*
Programs for developing pro-social skills and reducing aggression					
1. The ministry and school districts should expand efforts to provide EBS (Effective Behaviour Support) training.		✓			
2. The Ministry of Education, along with the Ministry of Attorney General, should develop ways of giving priority to improving the database and website of the BC Safe Schools Centre.	✓				
3. School districts should find ways to improve the involvement of elementary school-ground supervisors in school initiatives to reduce aggression.				✓	
4. School districts should do more to address student aggression at the secondary level, by increasing efforts to monitor and reduce aggression, and encouraging students to report concerns.				✓	
5. School districts should follow up on contributions by outside agencies to reduce aggression by making sure lessons presented are properly integrated with subsequent classroom exercises. Also, the extent to which presentations have been effective in influencing student attitudes and behaviours should be determined, possibly with the help of those who originally made the presentations.				✓	

Office of the Auditor General of British Columbia Recommendations	Implementation Status				
	Fully	Substantially	Partially	Alternative Action*	No Action*
Curriculum support and in-service for teachers in promoting socially responsible student behaviour 6. The Ministry of Education should re-organize the grade collection for Career and Personal Planning curriculum to assist secondary teachers in ranking the usefulness of listed resources, and notify teachers when it is available.			✓		
7. The Ministry of Education should call for meetings with the province's universities and the College of Teachers to emphasize the need for mandatory pre-service courses for teachers on classroom strategies for dealing with difficult behaviours and for delivering Personal Planning and Career and Personal Planning curriculum.			✓		
8. The Ministry of Education should identify or develop suitable resources for teachers and students to recognize and report student depression and suicidal gestures.		✓			
9. The Ministry of Education and school districts should provide teachers with suitable guidance for encouraging tolerance and respect for students of same sex orientation.		✓			
10. The Ministry of Education should assess the extent to which teachers would benefit from training in identifying students' special needs and in adapting teaching strategies to meet those needs. The initial focus should be on elementary teachers, to increase the chances that students will start off with the help they need to develop a positive relationship with their teachers and peers.			✓		

Office of the Auditor General of British Columbia Recommendations	Implementation Status				
	Fully	Substantially	Partially	Alternative Action*	No Action*
Policy guidelines for dealing with disruptive behaviour 11. The Ministry of Education should resolve with senior representatives of the ministries of Attorney General and Children & Families coordination problems in developing and distributing safe learning policy guidelines.	✓				
12. All school districts shouldhave their own critical incident plans tailored to particular district and school circumstances. These plans should include details of who must do what, when and where in a critical situation. As well, districts should periodically provide training and practice sessions to all school administrators.				✓	
13. School districts should offer more guidance to school administrators on how to improve the learning environment through positive means, and so assist in reducing the use of out-of-school suspensions.				✓	
14. School districts should encourage school staff to clarify and enforce student behaviour expectations that are included in school codes of conduct.				✓	
15. The Ministry of Education should work with school districts to develop specific guidance for school administrators on how to give feedback to teachers in a constructive way, and on how to manage the grievance process.					✓
16. School districts shouldencourage students to come forward with concerns about how school staff are interacting with them, This should include better means for reporting and follow up at the school level as well as the school district level if concerns are not properly addressed.				✓	
17. School districts should develop ways to improve case management for "at risk" students, involving school staff and staff from the Ministry for Children & Families.				✓	

Office of the Auditor General of British Columbia Recommendations	Implementation Status				
	Fully	Substantially	Partially	Alternative Action*	No Action*
Evaluation of safe learning initiatives 18. The Ministry of Education should consider examining schools and districts where student academic performance is significantly below provincial averages, so that underlying reasons can be identified and possibly addressed.			✓		
19. The Ministry of Education develop a database for monitoring student aggression and encourage input from, and use by, schools and districts so that province-wide efforts can be properly evaluated and, if need be, modified.			✓		

*original footnote stated: The Auditor General will follow up on further implementation by school districts, and the ministry's monitoring of district progress, as part of an audit of the school district accountability contract process.

(new approach: Any further follow up will now take place as part of future education risk audits of how the K to 12 system is building capacity for continuous improvement).

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Appendix

Timetable of Reports Issued and Public Accounts Committee Meetings on Fostering a Safe Learning Environment: How the British Columbia Public School System is Doing (Report 1: 2000/01)

June 2000	The Office of the Auditor General issues *Report 1, 2000/2001: Fostering a Safe Learning Environment: How the British Columbia Public School System is Doing.*
October 2000	The Select Standing Committee on Public Accounts reviews the report.
October 2000	The Select Standing Committee on Public Accounts tables its report on the results of the review.*
June 2002	The Office of the Auditor General issues its follow-up report.
June 2003	The Office of the Auditor General issues its follow-up report to the Select Standing Committee on Public Accounts.

Office of the Auditor General of British Columbia

Information provided to the
Select Standing Committee on Public Accounts
regarding the follow-up of recommendations in

2002/03 Report 1:

Building a Strong Work Environment in British Columbia's Public Service: A Key to Delivering Quality Service

August 2003

OFFICE OF THE
Auditor General
of British Columbia

To the Select Standing Committee on Public Accounts

This is our annual follow-up report of the recommendations contained in our 2002/03 Report—*Building a Strong Work Environment in British Columbia's Public Service: A Key to Delivering Quality Service.*

Our report was presented to the Public Accounts Committee in July 2002. Normally, at this point, we would follow-up on our report by asking management to provide us with written representations describing actions taken with respect to our recommendations. However, given the importance of this subject and the many changes that have occurred since our last survey was administered in early 2001, we have opted to instead redo the survey. We will explore whether the quality of the work environment in the British Columbia public service has improved. We are planning to carry out the survey in the fall of 2003 and will report our results in 2004.

We enclose the audit purpose, scope, methodology, overall conclusion and recommendations of the original audit.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

August 25, 2003

Summary of Original Report on Building a Strong Work Environment in British Columbia's Public Service: A Key to Delivering Quality Service

Audit Purpose and Scope

The purpose of this audit was to assess four key factors that determine the ability of the provincial government to deliver quality services to British Columbians: executive leadership, employee engagement, organizational culture and performance management.

Strong executive leadership is essential to the effective management of government. Although everyone has an important role to play in building a strong work environment, it is the executive leaders who set the tone for the organization. Executive leadership in the public service is made up of politicians and senior public servants. While the findings and conclusions presented in our report related only to the latter, politicians can also contribute to the building of a strong environment in British Columbia's public service.

A well-performing public service also requires employees who are "engaged"—that is intellectually and emotionally involved in their work and organization. Engaged employees are proud of their contribution to the success of their organization, team or work unit; they speak positively about their organization to friends, family, acquaintances, customers and other stakeholders; and they demonstrate an intense desire to remain a part of their organization. Research has shown there is a relationship between employee engagement, good organizational performance, and customer satisfaction.

Organizational culture can be defined as the dominant values of an organization. It is about how things are really done in an organization. In British Columbia's public service the culture should, in our view, be citizen-centred. That is, employees should highly value citizen interests and act on new ways to make service better for their clients. A successful citizen-centred culture is one that empowers people, that encourages them to be innovative and to communicate openly, and that focuses on satisfying, to the extent possible, both clients and the general public, through continuous improvement.

"Performance management" is the use of performance information to set goals and objectives, allocate resources, confirm or change direction to meet these goals and report on the success in meeting them. A good performance management system includes all critical aspects of an organization's performance. For our purposes, however, we only looked at whether government was measuring and reporting on the quality of service delivery, the state of the work environment and the linkages between these two. Since government's ability to meet its goals and deliver high quality service to British Columbians required a strong public service, we believed that it would benefit from understanding how changes in the work environment affected its performance. We also believed that reporting its performance would increase the level of confidence British Columbians had in their government.

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Audit Methodology

The report contained the results of a large survey we conducted between December 2000 and February 2001 of full- and part-time regular employees in all 20 government ministries. (It did not include public servants in agencies, boards, commissions or Crown corporations.) We sent our survey to more than 6,000 public service employees, and achieved a 74% response rate. We sought respondents' views on, and experiences with, their work environment. The survey findings for the public service as a whole, were considered to be statistically accurate within 2%, 19 times out of 20; for employees under 30 years of age, the results are accurate within 6%, 19 times out of 20. Statistics Canada and Hewitt Associates, an international human resources consulting firm, assisted us in the survey development and analysis of results. We also compared our survey results to other relevant research, such as the Hewitt Associates database, an employee survey of the federal public service, and a work environment study sponsored by the Public Service Employee Relations Commission.

Overall Conclusion

We concluded that an unhealthy work environment in the British Columbia public service was putting the delivery of quality service and the achievement of government's objectives at risk. The ability of government to deliver its programs requires a strong public service, which in turn requires a healthy work environment. We concluded that the work environment in the public service was being weakened by a lack of strong leadership in the executive ranks. The result was employees who were only moderately engaged in their work and a culture that did not encourage employees to question current practices or to continuously improve the services they provide British Columbians.

We also concluded the performance management information available at the time did not allow government to know whether its work environment could support the achievement of its objectives. Greater understanding of the linkages between government performance and its work environment would also help government better understand how changes to the work environment would likely impact its performance, including the quality of service it provides British Columbians.

Recommendations

1. We recommended that the British Columbia government develop and implement a strategy for managing its human resources to ensure the effective delivery of services into the future. This strategy was to come after government had established its goals and objectives and determined what core functions and processes were critical to achieving them. The strategy was to identify:

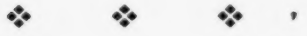
   - the shift in organizational culture required to meet these goals and objectives;
   - the competencies required to deliver these goals and objectives;
   - the leadership competencies required for future executive positions to be used as a basis for recruiting and developing current and potential leaders;
   - plans to manage the potential gaps and risks in retaining these competencies in government (e.g., maintaining corporate memory through early retirement and severance programs);
   - plans to address training and development of employees for the future;
   - plans to recruit people with the necessary competencies; and
   - performance management framework that rewards behaviours critical to government's success and supports service improvement and accountability.

   Employees across government were to be notified of this strategy once it was developed and kept informed of government's progress in implementing it. The ministries were to create similar plans for managing the human resources within their organizations that were linked to the government-wide strategy.

2. We recommended that the British Columbia government develop a comprehensive transition plan for implementing the significant changes that had arisen as a result of budget cutbacks and refocusing on core services. The way in which the downsizing was handled was expected to have a significant impact on the reputation of the public service as an employer, not only affecting its ability to recruit in the future, but also its ability to retain the valued employees who are left. This risk was to be managed strategically as part of the public service renewal initiative.

3. We recommended that the Public Service Employee Relations Commission measure government-wide performance on the work environment on a consistent, regular basis and report on it as an important element of organizational capacity through annual service reports to the Legislative Assembly. Ministries were to similarly monitor and report on their work environments. The work environment study completed as part of this audit provided the public service with a comprehensive database on the work environment and could be used as a benchmark for future monitoring.

4. We recommended that the Public Service Employee Relations Commission and the ministries establish service standards, measure their performance against these standards and report through to the Legislative Assembly.



Appendix

Timetable of Reports Issued and Public Accounts Committee Meetings on Building a Strong Work Environment in British Columbia's Public Service: A Key to Delivering Quality Service

April 2002:	Office of the Auditor General issues *2002/03 Report 1: Building a Strong Work Environment in British Columbia's Public Service: A Key to Delivering Quality Service.* The report included 4 recommendations.
July 2002:	The Select Standing Committee on Public Accounts reviews our report.
July 2002:	The Select Standing Committee on Public Accounts reports to the Legislative Assembly on its review of our report.
August 2003	Office of the Auditor General issues its follow-up report to the Select Standing Committee on Public Accounts.

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Appendices

Appendix A

Select Standing Committee on Public Accounts – Legislative Assembly of British Columbia: Guide to the Follow-Up Process

About the Committee:

The Select Standing Committee on Public Accounts is an all-party select standing committee of the Legislative Assembly. The committee is currently composed of 11 members, including a Chair and Deputy Chair. The committee is supported in its work by the Office of the Clerk of Committees, which provides procedural advice, and administrative and research support.

The committee's Terms of Reference include, but are not limited to, the following powers:

- Consider all reports of the Auditor General which have been referred to the committee by the Legislative Assembly.
- Sit during a period in which the House is adjourned or recessed.
- Send for persons, papers and records.
- Report to the House on its deliberations.

Committee Meetings:

While the Legislative Assembly is in session, the committee normally meets once per week (currently every Tuesday morning from 8:30 to 10:00, although the committee can sit while the House is sitting, and during the "intersessional" period). Committee proceedings are recorded and published in Hansard, which is available on the Legislative Assembly web site at www.legis.gov.bc.ca/cmt/.

The Auditor General and the Comptroller General are officials of the committee, and are usually present at committee meetings. During meetings, representatives of the Auditor General's office make a presentation of their audit findings. Representatives of audited organizations also attend as witnesses before the committee, and provide information to the committee regarding actions taken to address the Auditor General's recommendations. Following each presentation, committee members are provided with the opportunity to ask questions of witnesses. Members of the Legislative Assembly may examine, in the same manner, witnesses, with the approval of the committee.

After initial consideration of a report, the committee wishes to follow-up the progress made in implementing the Auditor General's recommendations, or recommendations made by the committee to the House, and adopted by the House. The process for carrying out follow-up reviews by the Auditor General is outlined below.

The Follow-up Process:

1. Following an audited organization's appearance before the committee, representatives of the Auditor General's office will contact representatives of the audited organization and request that a progress update be provided to the Office of the Auditor General within a period of time (usually 5 months).
2. Audited organizations must prepare a written response in the format noted below, and direct it to the Office of the Auditor General. In drafting the written response, organization representatives may wish to consult with the Office of the Comptroller General, and/or the Office of the Auditor General. As well, the Office of the Clerk of Committees would be pleased to answer any questions regarding the work of the committee, and committee procedure.
3. All written responses submitted by audited organizations are reviewed by the Office of the Auditor General to generally confirm the fairness of information about the progress made in implementing the recommendations contained in the Auditor General's report.
4. All written responses, and results of the Auditor General's review thereof, are provided to the Office of the Clerk of Committees for distribution to each committee member (normally six months after the witnesses' attendance before the committee). These materials are also provided to the audited organization and the Office of the Comptroller General.
5. Once the committee has tabled its report on the matter in the House, all written responses become public documents, and are not subject to Freedom of Information and Protection of Privacy Act procedures. Written responses, along with the Auditor General's review thereof, are also tabled in the Legislative Assembly on a bi-annual basis (March and October, although this is subject to variation). The Clerk of Committees should be advised well in advance of any material considered to be confidential.
6. Following review of the written response and the Auditor General's comments, the committee may request that representatives of the audited organization re-appear before the committee to provide

further information, or that further information be provided to the committee in written form.

7. The Office of the Comptroller General will arrange for witnesses to attend where the committee has asked for a return presentation based on the written follow-up.

Format of Written Responses:

Written follow-up information prepared by audited organizations in response to a request from the Office of the Auditor General should include the following items:

- Date of the written response.
- A brief introduction to and summary of the topic being considered, including a reference to the period during which the audit was conducted, date(s) the issue was considered by the committee, and how many of the recommendations have been fully implemented, partially implemented, or not implemented to date.
- A brief response to each recommendation made by the Auditor General (unless specifically advised to address only particular recommendations), including all actions taken to implement each recommendation.
- A workplan for implementation of the Auditor General's recommendations, including information on the means by which each recommendations will be implemented, time frames for implementation, identification of branches with primary responsibility for implementation, and procedures in place to monitor progress in implementing the recommendations.
- Any other information relevant to the Auditor General's or Public Accounts Committee's recommendations, including planned or current projects, studies, seminars, meetings, etc.
- Contact information for ministry/government organization representatives who have primary responsibility for responding to the Auditor General's recommendations (name, title, branch, phone and fax numbers, e-mail address).
- The reports are to be signed by a senior official responsible for the area, normally an Assistant Deputy Minister or Vice-president.

Reports should be relatively brief e.g. 5–10 pages but attachments are acceptable.

If guidance is needed in preparing the follow up report please contact any of the offices noted below.

Contact Information:

Office of the Clerk of Committees
Josie Schofield
Research Analyst
Phone: 250 356-1623
Fax: 250 356-8172

Office of the Auditor General
Doreen Sullivan
Executive Coordinator
Phone: 250 356-2627
Fax: 250 387-1230
dsullivan@bcauditor.com

Office of the Comptroller General
Arn van Iersel
Comptroller General
Phone: 250 387-6692
Fax 250 356-2001
Arn.vanIersel@gems8.gov.bc.ca

Appendix B:

Office of the Auditor General: Follow-up Objectives and Methodology

Purpose of Following Up Audits

The Office conducts follow-up reviews in order to provide the Legislative Assembly and the public with information on the progress being made by government organizations in implementing the recommendations arising from the original work.

Performance audits are undertaken to assess how government organizations have given attention to economy, efficiency and effectiveness.

The concept of performance audits is based on two principles. The first is that public business should be conducted in a way that makes the best possible use of public funds. The second is that people who conduct public business should be held accountable for the prudent and effective management of the resources entrusted to them.

The Nature of Audit Follow-ups

A follow-up of an audit comprises:

1. requesting management to report the actions taken and to assess the extent to which recommendations identified in the original audit report have been implemented;
2. reviewing management's response to ascertain whether it presents fairly, in all significant respects, the progress being made in dealing with the recommendations;
3. determining if further action by management is required and, consequently, whether further follow-up work by the Office will be necessary in subsequent years; and
4. reporting to the Legislative Assembly and the public the responses of management and the results of our reviews of those responses.

The Nature of a Review

A review is distinguishable from an audit in that it provides a moderate rather than a high level of assurance. In our audits, we provide a high, though not absolute, level of assurance by designing procedures so that the risk of an inappropriate conclusion is reduced to a low level. These procedures include inspection, observation, enquiry, confirmation, analysis and discussion. Use of the term "high level of

assurance" refers to the highest reasonable level of assurance auditors provide on a subject. Absolute assurance is not attainable since an audit involves such factors as the use of judgement, the use of testing, the inherent limitations of control and the fact that much of the evidence available to us is persuasive rather than conclusive.

In a review, we provide a moderate level of assurance by limiting procedures to enquiry, document review and discussion, so that the risk of an inappropriate conclusion is reduced to a moderate level and the evidence obtained enables us to conclude the matter is plausible in the circumstances.

Scope of Audit Follow-ups

The follow-ups focus primarily on those recommendations that are agreed to by management at the time of the original audit or study. Where management does not accept our original recommendations, this is reported in managements' responses to the original audit reports. Since our reports are referred to the Legislative Assembly's Select Standing Committee on Public Accounts, management's concerns with our recommendations in some cases are discussed by the committee, which may also make recommendations for future action. If the committee endorses our recommendations, we include them in a follow-up. We also include any other recommendations made directly by the committee.

Frequency of Reporting on Audit Follow-ups

We follow the process agreed to between the Office of the Auditor General, the Office of the Controller General and the Public Accounts Committee (Appendix A).

Review Standards

We carry out our follow-up reviews in accordance with the standards for assurance engagements established by the Canadian Institute of Chartered Accountants.

Methods of Obtaining Evidence

Our reviews involve primarily enquiry, document review and discussion.

Enquiry consists of seeking appropriate information of knowledgeable persons within or outside the entity being audited. Types of enquiries include formal written enquiries addressed to third parties and informal oral enquiries addressed to persons within the entity. Consistent responses from different sources provide an increased degree of assurance, especially when the sources that provide the information are independent of each other.

Document review consists of examining documents such as minutes of senior management meetings, management plans, and manuals and policy statements to support assertions made in management's written report.

Discussion consists primarily of interviews with key management and staff, as necessary, for further verification and explanation.

Appendix C:

Office of the Auditor General: 2003/04 Reports Issued to Date

Report 1

A Review of Performance Agreements Between
the Ministry of Health Services and the Health Authorities

Report 2

Follow-up of Performance Reports, August 2003

These reports and others are available on our website at http://www.bcauditor.com